



Daily Report

Latin America

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Foreign Ministers of Amazon Countries To Meet in Lima

PY3107210295 Madrid EFE in Spanish
1600 GMT 31 Jul 95

[FBIS Translated Text] Lima, 31 Jul (EFE) — The foreign ministers of the signatory countries of the Amazon Cooperation Treaty will meet in Peru in November, a spokesman for the commission in charge of organizing the meeting reported today.

The summit will be attended by Foreign Ministers Antonio Aranibar of Bolivia, Luis Felipe Lampreia of Brazil, Rodrigo Pardo of Colombia, Galo Leoro of Ecuador, Alejandro Tudela of Peru, and Miguel Angel Burelli of Venezuela.

Representatives of Guyana and Suriname will also attend the meeting as observers.

Until a few days ago there was doubt as to whether or not Ecuadoran Foreign Minister Galo Leoro would attend the meeting, due to the border conflict with Peru, but Leoro has already confirmed his participation.

According to the organizers, the purpose of the meeting is to coordinate policies for promoting sustainable development in the Amazon, and to discuss the implementation of various integration projects prepared in April and June by the specialists of these countries.

Uruguayan President: Economic Integration 'Far Away'

PY3107221495 Madrid EFE in Spanish
0040 GMT 29 Jul 95

[FBIS Translated Excerpt] Lima, 28 Jul (EFE) — Uruguayan President Julio Maria Sanguinetti said today in Lima that the possibility of integration between the Andean Group and the Common Market of the South, Mercosur, is still "far away."

Sanguinetti believes it will take a long time before the group made up of Bolivia, Colombia, Ecuador, Peru, and Venezuela (Andean Group) and that made up of Argentina, Brazil, Paraguay, and Uruguay (Mercosur) are integrated.

"We are far from that possibility," said Sanguinetti to the media, when he explained that Mercosur is in a consolidation process while the Andean Group has its own problems, which make their integration impossible. [passage omitted]

Chile Terms Peru-Ecuador Demilitarized Zone 'Positive'

PY0108032995 Madrid EFE in Spanish
0228 GMT 1 Aug 95

[FBIS Translated Text] Santiago, 31 Jul (EFE) — Sources at the Chilean Foreign Ministry said today that the going into force as of 1 August of the demilitarized zone along the Peruvian-Ecuadoran border, as proposed by the four guarantors of the 1942 Rio de Janeiro Protocol, is very positive.

The zone, which covers about 15 square kilometers, is located on the eastern side of the 78 km between the two countries that have not been demarcated, where the two countries fought an undeclared war in January of this year.

The agreement was reached on 26 July in Brasilia by the Military Observers Mission of Argentina, Brazil, Chile, and the United States, which are the guarantors of the Rio de Janeiro Protocol.

Businessmen Outline Goals of Central American Common Market

PA3107171695 San Salvador EL DIARIO DE HOY
in Spanish 28 Jul 95 p 18

[Report by Ismael Beltran Solano]

[FBIS Translated Text] The main goal of the Federation of Private Enterprises of Central America and Panama [Fedepriap] is to strengthen and modernize the Central American Common Market (CACM) to keep attracting the region's businessmen.

Costa Rican Marco Vinicio Ruiz, new president of the Fedepriap, has said that those who have held trade negotiations with other countries are aware of how obsolete the CACM has become because the resolution of controversies remains unclear. The norms of origin are not clear either, and the agricultural sectors are not trading among themselves.

Another difficulty the CACM is facing is that trade problems among certain countries still exist, thus preventing a smooth exchange.

In this regard, Ruiz pointed out that they have to support the SIECA (Secretariat of Central American Economic Integration), because at the official level it is the institution that must set the guidelines for the modernization of the market.

Ruiz uttered the previous statements at noon on 27 July following the meeting the Fedepriap Executive Council held. The Council meets regularly in each one of the member nations in a rotating fashion.

Cuba

Robaina on Migration Talks, U.S. Relations

PA0108024595 Havana PRENSA LATINA in Spanish
1550 GMT 31 Jul 95

[Report by Mario Jorge Munoz on interview with Cuban Foreign Minister Roberto Robaina; place and date not given; published by JUVENTUD REBELDE on 30 July and provided as a "special for PRENSA LATINA": "There Are No Steps Indicating the Possible End of the Blockade"]

[FBIS Translated Text] Within the context of preserving the country, which is mired in the current critical situation that in no way resembles that of five, 10, or 30 years ago, Cuba has drafted its foreign policy strategy: Diplomacy is an ongoing offensive.

With its 11 million ambassadors, according to Foreign Minister Roberto Robaina, the Foreign Ministry is the island's most prolific son. Today, it is a ministry that considers among its priorities the struggle against the U.S. blockade and finding ways to nurture any business that contributes to breaking the siege.

At this moment, Cuba's diplomatic offensive includes efforts to disseminate to the world the reality of what is being done and thought on the island; to work for democratizing international relations, especially those with the United Nations and the UN Security Council; and Cuba's necessary integration with the Caribbean and Latin American continent.

With the International Youth Festival "Cuba Lives" about to begin on the largest of the Antilles, Robaina, one of the youngest foreign ministers in the world, offers JUVENTUD REBELDE's readers his opinion on important issues on Cuba's foreign agenda.

[JUVENTUD REBELDE] Following the disappearance of the Socialist bloc, Cuba has strengthened its relations with Latin America. How important is the continent for Cuba, and what is your opinion about recent debates in the OAS regarding Cuba's possible return to the organization?

[Robaina] The changes in the world, and, above all else, those on this continent per se, have made Cuba cast another glance toward our America, as Marti defined it.

If in the early years of the revolution, as a result of yielding to U.S. pressure, most Latin American countries broke off relations with us, except for those principled exceptions which you can count on one hand, today's scenario is exactly the opposite. Now you have more than enough fingers on one hand to count those who do not maintain relations with Cuba.

This is the direction in which Cuba has been working and will continue to work. The Ibero-American Summits, the Association of Caribbean States, the Parlantino [Latin American Parliament], the Latin American Economic System, and our participation and membership in many other regional organizations and events testify to this.

The OAS must be viewed from another perspective: first, because we did not leave it; we were expelled. As of today, there is no indication we have been invited to rejoin it. Within the OAS, there are serious contradictions regarding the topic of Cuba. Also, it is not a priority of our foreign policy. I also recognize that the OAS of today is not the same organization that existed in the sixties, and I might add that it is not the OAS to which Cuba would like to belong.

It is true that recently some members of this organization raised the possibility of Cuba's rejoining the OAS. Some did so in good faith, while others tried to condition such a return to certain changes we supposedly must make to "earn" this return.

Once again, we answer firmly that Cuba must be accepted just as it is, or there simply is nothing to talk about. If at some time in the future there is a consensus within the organization to invite us to rejoin without conditions, then we might say it is seriously considering Cuba's return to the OAS.

[JUVENTUD REBELDE] This year, the United Nations is celebrating its 50th anniversary. Do you think it is meeting the objectives for which it was created? What role does Cuba play in this international organization?

[Robaina] Today's United Nations is far from meeting the goals outlined in its Charter. It is disunited and chaotic. Today's United Nations does not guarantee peace, stability, development, or integration among the people of the world. To become what the people expect from it, the United Nations must rid itself of the totalitarian and oppressive political and economic unipolarism to which it has been driven by the will of the great power that won the Cold War, and it must modify its obsolete Security Council, which no longer suits the times and increasingly makes us feel insecure.

The United Nations must intelligently manage efforts to establish worldwide control, and it must do this without undermining plurality or the cardinal principles of the Charter, especially those on the sovereignty of states and self-determination.

Despite the distortions, Cuba wants to remain a member of the United Nations and to work from within with hundreds of other countries interested in democratizing and improving the United Nations. Cuba enjoys prestige

and respect within this organization, thanks to its spotless international record, its work for peace and development, and the professionalism of its representatives. We did not earn these merits by joining blue helmet units, taking part in invasions, or engaging in bombings, but, rather, by being on the side of whoever struggles for justice, peace, and true brotherhood among the people of the world.

[JUVENTUD REBELDE] In recent months, agreements have been signed with the United States. This has led some observers to consider the possibility of improved relations between Havana and Washington. Has this happened?

[Robaina] This is a great error. One would have to be very unfamiliar with the conflict between Cuba and the United States to get confused about the significance of the migration agreements, which have resolved one bilateral problem, but they also resolve one of the most important national security problems facing the United States at this moment.

Moreover, the confusion about the signing of these agreements has led some people to assume that there has been a secret agreement, a political ping-pong game between Cuba and the United States. This is another mistake. Here, all of the cards are on the table, their cards and ours, in a straightforward manner. Ours speak of promoting respect, good-neighborly positions, understanding, and tolerance. Theirs, however, speak of continuing the blockade, more harassment, more tools of subversion, destabilizing activities within the country, and nonacceptance of the fact that we are different from them, that we are a sovereign nation, and that we can think and speak for ourselves.

How can we improve relations with a Congress that is discussing a meddlesome law that has angered everyone in the world? How can we reach an understanding, when people within the administration who oppose the Helms-Burton bill do not discuss the suppression of this measure but, instead, defend the other instrument—the Torricelli Law? They are not discussing whether or not to behead us; they are discussing how to behead us: whether with a knife or a razor.

[JUVENTUD REBELDE] However, there are those who think the end of the blockade is getting closer every day...

[Robaina] There is not one single step that indicates a possible end to the blockade. The announced lifting of the additional sanctions imposed on 20 August 1994; the likely authorization for the delivery of foodstuffs and medicines for humanitarian purposes; or the facilitating of journalistic, cultural, sports, academic, and scientific

exchanges essentially have nothing to do with the end of the blockade.

It is true that these things constitute Band-Aids or aspirins to alleviate a severe illness, and that they could open tiny cracks of breathing room. Imagine being imprisoned in a jail cell, and then they open a small window for you to allow a ray of sunshine and a little air to enter, however, this would not actually constitute a gesture, but a nominal act of justice for the thousands of Cubans living in that country—Cubans whose rights and liberties have been restricted. They just need to ask, and their fatherland will support them in pursuing their human desire to freely visit their country and maintain ties with and help their families.

Let us not deceive ourselves. While putting this last aspect aside, all of the other measures that are the focus of a great deal of speculation also constitute instruments of subjugation for our country—instruments included in the Torricelli Law and instruments that are not even new, such as the idea of applying methods similar to the carrot-and-stick approach, which was promoted by Kennedy at the end of his presidency. He was, however, unable to put it into practice because he was assassinated. It is, as some might say, the kiss or hug of death.

Also consider this: Is it truly a good sign that, while the entire international community decries this policy, and while political, economic, and professional forums repudiate this genocide, the United States regards itself as an untouchable god and does not miss a chance or opportunity to publicize the objective it is pursuing in Cuba—namely, to subdue the nation and return it to its little corral? We must not be naive.

I do not want to appear as one of the horsemen of the Apocalypse, but we are living in times in which people are made to support U.S. desires in the simplest and most foolish fashion, while other realities are imposed on them. Within this context, we view that marriage of congressmen who, through the world's most outlandish and shameless policy, want to punish the world and Cuba for maintaining relations that have not been authorized by the United States.

Because of a basic commitment to humanity, Cuba has denounced these maneuvers as attempts to impose a post-modern fascism, an ultrarightist and conservative model, on the world—a model that has been forged since the late 1970's in the United States. For all of these reasons, the end of the blockade is unfortunately very far away.

[JUVENTUD REBELDE] Is Cuba prepared to normalize relations with the United States?

[Robaina] Yes and no. Yes, because we are an independent nation well-aware of our sense of self-determination, our options, and our history. Yes, because we have learned to speak with our own voice, because we have a great sense of our dignity, and because we are not seeking a return to the past.

Yes, because we have demonstrated that we are professional, reasonable, and flexible when people speak and conduct business with in an atmosphere of respect and equality. In addition, we are not so blind to fail to see that, despite all of the corruption, vice, and violence that takes place in that society, the United States and its people are still endowed with some very positive qualities that feature a willingness to work hard and sacrifice, scientific and technical advancements, and cultural and artistic models that should be accessible to our people.

Yes, because we are willing to acknowledge and learn from them, the way they are, the same way in which we are open to have them acknowledge us, to know how we are, and to think of us as a people, as well as a nation. We believe that the zeal and pride they feel for their country are as valid as what we feel for ours.

Yes, because we believe that geographical and historical accidents should not serve to determine political catastrophes, because being neighbors should be an advantage for both of us, not a source of controversy. We do not aspire to export our political and economic model, which we admit has its flaws.

And yet, no, because, if by normalizing relations we accept what the United States calls normal, then we are not willing to accept any of the one, two, or eight aspects of U.S. policy designed to demand that we surrender an option that has been freely and democratically selected by the overwhelming majority of Cubans.

No, because, although we are not a vindictive people by virtue of our tremendous humanist calling, our best wishes, and our flexibility, still fresh in our minds are the wounds caused by nearly two centuries of U.S. hegemonic claims over Cuba; the experiences of several military invasions; the bitter personal experiences of economic and political servitude; the cultural trampling of our nation; the dozens of people killed, tortured, and left missing because of actions by the dictators they supported in this country; and the attacks, sabotage, terrorist infiltrations, radio and public harassments, the vicious economic blockade, and all of the slanders of the past 36 years.

If our people fail to understand all of our efforts aimed at normalizing relations with emigrant community and Cuba's willingness to place these efforts above and beyond the historical dispute and the lack of relations

with the United States, then you can understand it will definitely take time for Cuba to accept and perceive as genuine any expression of accommodation and respect for our diversity which may one day arise from that nation.

It would be worthwhile if you could pose that same question to the United States to determine whether it would be prepared to answer it without imposing conditions.

Foreign Ministry Official on Nation; Emigre Conference

PA0108042195 Havana Radio Havana Cuba
in Spanish 0000 GMT 1 Jul 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] The Cuban Foreign Ministry pointed out that a significant number of emigres are expected to participate in the coming Second Nation-Emigre Conference that is scheduled to take place in Havana this November.

Jose Cabanas, head of the Directorate for Affairs of Cubans Residing Abroad of the Cuban Foreign Ministry, stated that the main objective of the conference is to give continuity to the process of exchange between individuals, and groups of emigres, with Cuban missions, and officials.

In statements made in Havana, Cabanas indicated that the objective of the conference is to provide some degree of normalcy to the relations between both groups despite the existence of abnormal conditions given that fact that a climate of hostility still prevails in the United States, a country where, the official recalled, the largest number of Cuban emigres currently live.

Cabanas pointed out that as part of the agreements reached during the first conference that took place in September 1994, this coming September a group emigres and their descendants will begin to take part in several higher learning courses.

Robaina Meets Panamanian Counterpart, Discusses Relations

PA0108044395 Havana Radio Havana Cuba
in Spanish 0000 GMT 1 Aug 95

[Report by Correspondent Rey Rodriguez in Panama City; from the "Evening Information Review" newscast]

[FBIS Translated Text] In what could be described as his second working day, Cuban Foreign Minister Roberto Robaina met today with Gabriel Lewis Galindo, his Panamanian counterpart. Both foreign ministers

reviewed the current state of their relations, which according to the two parties, find themselves at a new stage. The Cuban foreign minister's stay — the first official visit by a Cuban foreign minister following the U.S. invasion — demonstrates the will of the two governments to continue to bolster such relations.

In today's meeting the foreign ministers also broached the current state of relations of each country and exchanged views regarding the upcoming regional meetings, referring to the Nonaligned Summit and the Ibero-American Summit.

Foreign Minister Lewis Galindo described Robaina's visit very positive and added that they not only seek to strengthen relations, but also to cover economic, political, and social aspects.

In the meantime, in response to questions at a small news conference at the end of his meeting with the isthmian ambassador, Robaina said ties between Cuba and Panama are at their highest level.

Union Protests U.S. Judge Sentencing Journalist to Death

FL3107143295 Havana Radio Progreso Network in Spanish 1100 GMT 31 Jul 95

[Statement issued by the Cuban Journalists Union in Havana; date not given; from the "First Thing" program — read by announcer]

[FBIS Translated Text] Mumia Abu-Jamal, an African-American journalist whom racist U.S. courts have unjustly condemned to death, is due to be executed in Philadelphia on 17 August. The Cuban Journalists Union joins the world in protesting the U.S. ultra-right-wing's latest criminal injustice against a prestigious member of the press, who fights for his life from imperialist dungeons. U.S. media often cites his book "Live From Death Row," a damning indictment that cannot be ignored. A misguided judge who has dictated 31 death penalties — 29 of them against blacks and Latin Americans — convicted Abu-Jamal. The sentence must be suspended in the name of justice and human rights. Abu-Jamal has the right to live and to be judged by a truly impartial court.

Remirez Meets Sao Tome and Principe Foreign Minister

FL0108022195 Havana Cuba Vision Network in Spanish 0000 GMT 1 Aug 95

[From the "NTV" newscast]

[FBIS Translated Text] Acting Cuban Foreign Minister Fernando Remirez de Estenoz met today at the Foreign Ministry in Havana with Guilherme Posser da Costa,

minister of Foreign Affairs of Sao Tome and Principe. [Words indistinct] the seventh session of the Cuba-Sao Tome and Principe joint cooperation commission. The delegations are presided over by [words indistinct]. Posser da Costa also met with Jorge Lezcano, president of the commission of International Relations of the National Assembly of the People's Government, and with Dr. Jorge Antelo, first vice minister of the Public Health Ministry.

Alarcon Meets With Ecuadoran Minister

FL0108021595 Havana Cuba Vision Network in Spanish 0000 GMT 1 Aug 95

[From the "NTV" newscast]

[FBIS Translated Text] Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], met today with Jose Vicente Maldonado, Ecuadoran minister of Industry, Commerce, Integration, and Fisheries. The two leaders discussed Cuba's recent electoral process. Maldonado expressed satisfaction with the [words indistinct] conversation will bring about negotiations in the fishing industry. The Ecuadoran minister and his delegation expressed their willingness to make cooperative exchanges in the biotechnological field and praised the progress achieved in that field in Cuba.

Roundup of Economic Developments

FL3107121295

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 30 July.

Sancti Spiritus Province workers have weeded over 1,800 caballerias of sugarcane by hand, surpassing the province's goal for July and tripling last year's weeding figures. Although the province has reached its goal for planting with the use of oxen — planting over 2,200 caballerias of sugarcane — it remains behind in its efforts to plant 400 caballerias in July. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 25 Jul 95)

A record 2,000,000 quintales of tubers, grains, and vegetables have been harvested in Ciego de Avila Province so far this year, 900,000 quintales more than the same period in 1994. The year-end goal is 3,000,000 quintales. (Havana Radio Rebelde Network in Spanish 0900 GMT 28 Jul 95)

Roundup of Politburo Members' Activities

FL3107120895

[FBIS Editorial Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 30 July.

Carlos Lage and Juan Almeida Bosque placed a floral wreath at the Santa Efigenia Cemetery, in Santiago de Cuba, in honor of the fallen heroes of the Moncada assault on 26 July. (Havana Radio Rebelde Network in Spanish 1155 GMT 26 Jul 95)

Carlos Lage, Esteban Lazo, and Alfredo Jordan presided a ceremony marking the 42d anniversary of the Moncada Barracks assault at Commander Jose Argibay agricultural transportation terminal, in Boyeros Municipality, Havana, on 23 July. (Havana Radio Progreso Network in Spanish 1100 GMT 24 Jul 95)

Alfredo Hondal Gonzalez participated in a ceremony marking the anniversary of the Moncada Barracks assault in Ciego de Avila Province on 26 July. He congratulated Guantanamo and its citizens on Guantanamo being selected as the site for the main ceremony marking 26 July. (Havana Radio Rebelde Network in Spanish 1155 GMT 26 Jul 95)

Jose Ramon Machado Ventura has attended the opening of a family doctor's office and pharmacy in Guantanamo Province. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 24 Jul 95)

Haiti

Aristide Prefers 'To Keep Silent' on Mandate Extension

PA3107162795 Port-au-Prince Signal FM Radio in French 1030 GMT 31 Jul 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] While visiting Cap-Haitien, the second city of the country, President Jean-Bertrand Aristide launched a call for the union of all Haitians to avoid the trap of division. Addressing several thousand people in Cap-Haitien, the head of state solicited the support of all for the establishment of a state of law where criminals will be tried in accordance with the provisions of the law and without vengeance, stated Mr. Aristide.

He pointed out that from now on the Army, which used to tolerate criminals and attaches, no longer exists. In this sense, the head of state invited the population to applaud the work achieved by the new national police and the UN policemen who have maintained a climate of security, especially in the Department of the North.

The president invited the Haitian putschists to participate in the construction of democracy, provided that they accept the rules and principles of democracy. I have come to tell you, generation of the year 2000, you, youth of the north, to follow the star of Toussaint Louverture and to transcend when it is necessary, to receive when it is necessary, and to reject when it is absolutely necessary, exclaimed the head of state. He added that the population has rejected macoutism, the Army, and dictatorship forever.

Concerning the population's call for him to prolong his mandate, Jean-Bertrand Aristide answered with these words: It is not because of scorn for the population that I refuse to give my opinion on that; I have made so many comments, I prefer to keep silent today while trying to listen to the others. Thanking the population of Cap-Haitien and all those who made his visit possible, the head of state called on the population of the north to work in unity in order to improve the output of state-owned enterprises.

He announced that at the end of October the number of telephone lines in Cap-Haitien will go from 3,000 to 15,000. According to him, the telephone network of the north will reach 50,000 in the next few years.

Mr. Aristide took the opportunity to assert that it is no longer possible that the island has only 100,000... [pauses] Well, that this island inhabited by more than 100,000 people has only a few thousand telephone lines at its disposal.

He indicated that many state servants deserve to be dismissed from the regional public administration. Furthermore, he promised parents a discount of 80 percent of the price of the books they will have to buy at the beginning of the school year next October. Let us listen to an excerpt from the president's speech:

[Begin Aristide recording, in Creole] The head of state has come to tell you, Haitian people, today in 1995, that he wants to respect each Haitian. No matter whether you are lavalas or not, no matter whether you belong to such and such political party, no matter whether you belong to such and such group, whether you belong to such and such people's organization, the head of state says he wants to respect you.

While respecting you, he says once you do not do what FRAPH [Revolutionary Front for the Promotion and Progress of Haiti] used to do, once you accept giving up FRAPH and the zenglendo Army forever, once you accept change by leaving the putschist side for the democratic side, once you demonstrate that you will not do what the putschists used to do, once you who used to supported the putschists prove — not only

through words but through actions — that you have decided to follow the straight line, the head of state tells you: Welcome; he tells you that it is his duty and that he agrees to walk with you like Toussaint Louverture walked with Raymond, because there is no vengeance, everybody has the right to live under this blue sky and respect the rights of everyone, the rights of all, and in solidarity union can allow us to overcome the difficulties. [end recording]

Aristide Addresses Crowd in Fort Liberte

PA0108013995 Port-au-Prince Radio Nationale in Creole 1300 GMT 31 Jul 95

[FBIS Translated Excerpt] Within the framework of the activities scheduled by the Presidency, President Jean-Bertrand Aristide has visited Fort Liberte in northeastern Haiti. Speaking before a crowd that included people from several localities in the department, the head of state stressed the issues of security, justice, and reconciliation, which, according to him, go hand in hand. President Aristide announced that 42,014,481 gourdes is available for projects to improve roads, education, agriculture, and so on. Here is a report by our special correspondent Gesner Lafleur:

[Lafleur] Fort Liberte in northeastern Haiti, some 68 km from Cap-Haitien, faces many problems in terms of roads, potable water, and education, and this is not to mention health centers that do not exist and farm animals in the Fort Liberte area that are dying from epidemics. According to statements by some peasants, Fort Liberte's main resources are agricultural in nature, and yet it does not rain and the leaders do not do anything to help peasants with irrigation systems to fight misery in the northeastern region. [passage omitted]

On Thursday, 27 July, President Jean-Bertrand Aristide arrived in Fort Liberte, along with a delegation comprising Information Minister Henri-Claude Menard; Justice Minister Jean-Joseph Exume; the president's cabinet chief, Leslie Voltaire; and the spokesman for the Presidency, Yvon Neptune. The people who gathered in the yard of Fort Liberte National Public High School gave them a warm welcome. [passage omitted]

For his part, President Aristide, while addressing the crowd, continuously congratulated the people for their

courage, which allowed their dream to come true in the face various threats. This dream must continue, according to the head of state. On behalf of the Haitian people, Mr. Aristide thanked the UN members and the Americans who allowed, by virtue of their presence, the dreams of justice, freedom, peace, and fraternity to advance in Haiti. Nevertheless, one of the other dreams whose realization the people of Fort Liberte would like to see—namely, the recovery from the 30 September coup of three years ago—remains unanswered from President Jean-Bertrand Aristide.

[Begin Aristide recording] [passage omitted] I have heard so much that I have chosen not to repeat it. [applause] I am not mocking you, but I have chosen, as I have told you, to see, listen, and not to repeat. Well, how enthusiastic you are here about this three-year-old matter [ala yon afe twa zan k cho bo isit la]! [applause] I have heard you. [laughs] You can trust me. I have heard you. You can trust me. I respect you a great deal. I am not mocking you if I fail to comment on that. [end recording]

[Lafleur] The Haitian head of state also took the opportunity to inform the people of Fort Liberte that he has given the go-ahead to a company already in the area to search for and exploit gold in Fort Liberte to ensure progress in Northeast Department. President Aristide announced that 42,014,487 gourdes is already available for building roads, schools, markets, electrical services, and so on in Northeast Department. [passage omitted]

[Begin Aristide recording] Our dream is to have a Haiti in which Haitians roll up their sleeves, roll up their trousers, gird their loins, hitch up their skirts, remain firm as courageous men and women, plow the land, find tractors to make the land produce food, and obtain water to make the land produce food to prevent us from depending on people who are not Haitians and who are not living in Haiti. This is our dignity, our pride. This is our dream. While we expect to get to this point, this is only the beginning. The majority of work is yet to come. [end recording] [passage omitted]

El Salvador

Officials Warn of Instability in Country, Blame FMLN

PA3107154095 San Salvador LA PRENSA GRAFICA
in Spanish 29 Jul 95 p 5A

[FBIS Translated Text] The government yesterday warned on the danger of instability in the country because of worsening strikes and street protests staged by government workers, as well as former Armed Forces and FMLN [Farabundo Marti National Liberation Movement] members.

Juan Jose Domenech, president of the National Executive Committee (Coena) and of the National Administration of Telecommunications (Antel), called the workers and former military men to stop trying to make themselves notorious in the eyes of the national and international community because violence brings more violence.

The official did not rule out the possibility of the protests and strikes being part of a much broader plan to unleash violence in the country. "In the name of El Salvador, I ask you to be patient and exercise extreme common sense to try to solve things peacefully, even if such a solution takes time," he said.

The warning was made public yesterday, when discharged Armed Forces members and former guerrillas protested the death of a companion during a clash with the Civil National Police [PNC] on the coastal highway in Usulután department and demanded the benefits accorded by the Peace Agreements.

Interior Minister Mario Acosta Oertel admitted that many demands have gone unfulfilled and many subjects were left out of the agreements which the government has tried to meet despite economic difficulties. Acosta said the protesters must not let themselves be manipulated because strikes, stoppages, and disturbances show they did not occur by chance. He said that attempts at destabilization can be observed and then wondered, why do this? Because if the democratic process and the country are destabilized there will be no winners, only losers.

Public Security Minister Hugo Barrera was even more direct in his remarks. He pointed out to FMLN as the one to blame for the Thursday events in Usulután. "I keep saying this problem is directly related to the FMLN. Something should be done to end these things," he said. He said his arguments are based on facts, because many of the people who participate in these activities belong or belonged to the FMLN. Although the organization does not show up clearly, everything seems to indicate they are part of an organized scheme

to try to destabilize the government. "In other words, the FMLN, wrongly or stupidly, is trying to show the government has been ineffective. By checking development, they expect to gain access to power," he said.

Deputy Defense Minister Alexander Mendez said the government must enforce the law while making sure every possible thing is done to avoid casualties.

FMLN deputy Eugenio Chicas criticized the use of force by the police because incidents like the death of the demonstrator can "lead to a bigger social confrontation." He said that the former combatants wanted to demand publicly the legal handing down of land, as well as credit and training programs, which were promised to them in the January 1992 agreements.

He emphasized that "the cause of this problem is the government evading its responsibility" in the agreements and advised that a commitment was made before the United Nations to implement all pacts as of 31 October.

RN, PRTC Dissolve, Unite With FMLN

PA0108040195 San Salvador EL DIARIO DE HOY
in Spanish 31 Jul 95 p 12

[FBIS Translated Excerpt] The National Resistance (RN) and the Revolutionary Party of Central American Workers (PRTC) agreed yesterday to dissolve and to unite with the former guerrilla Farabundo Marti National Liberation Front (FMLN).

Manuel Melgar of the PRTC said that both factions have united with a single train of thought, with the purpose of becoming a united political alternative.

To achieve that objective, he said, they must stop functioning as splinters of the FMLN and project themselves as a single group.

The FMLN will attempt to base its political work in four principles: to make the group a pluralist party, a democratic party, a revolutionary party, and a party with a socialist project, he said.

Melgar explained that the political leadership structures of the PRTC will be dissolved and the party will be integrated to the leftist group.

He added that they seek to strengthen the FMLN in terms of internal democratization. "If there are no divisions within the party, then the decisions will be adopted by majority and decisions will not be imposed," Melgar explained.

For his part, Marcos Jimenez of the RN said his faction is disappearing as such to become a way of thinking

within the FMLN. "We will do it as the FPL [People's Liberation Forces] did on one occasion," Jimenez stated.

The factions that will definitely join the FMLN have the support of the rank-and-file, Jimenez stated. The department delegations met simultaneously in two places of the capital to support the factions joining the leftist FMLN. [passage omitted]

Guatemala

Army To Replace Contingent in Haiti

PA0108031395 Panama City ACAN in Spanish
1852 GMT 31 Jul 95

[FBIS Translated Text] Guatemala City, 31 Jul (ACAN-EFE) — Military sources today announced that the Guatemalan Army will replace its contingent of troops taking part in the OAS multinational peacekeeping force in Haiti.

At the Mariscal Zavala Garrison on the outskirts of Guatemala City, General Carlos Enrique Pineda, deputy chief of the General Staff, today bid farewell to the 120 soldiers who will leave for Haiti on 7 and 8 August.

Army spokesman Colonel Guillermo Caal told ACAN-EFE that this is the third Guatemalan contingent sent to the island as part of the UN task force to guarantee security and democracy in Haiti.

Meanwhile, Pineda pointed out that the two previous groups have complied with standards of discipline in an "excellent" manner and that the Army's mission not only represents a responsibility for the institution, but also for Guatemala, where "there also has been bloodshed."

Infantry Major Carlos Alberto Enriquez Arango, who will head the new mission, told ACAN-EFE that the group will replace a contingent that left for the island last November.

"We have a security mission to guarantee democracy," the officer said, adding that the group will include two ranking officers, 10 noncommissioned officers, 22 specialists, and 86 military policemen. According to Enriquez, the new contingent will tentatively be in Haiti for about six months, although he added that its stay will be dependent on UN requirements.

URNG Proposes 6 Points for Solving Agrarian Problem

PA3107133795 Guatemala City PRENSA LIBRE
in Spanish 28 Jul 95 p 6

[FBIS Translated Text] According to a communique sent from Mexico to our editorial office by the Guatemalan National Revolutionary Unity, URNG, Commander Carlos Gonzalez said that there are six

important points necessary for attaining the signature of an agreement on the issue of the socioeconomic and agrarian aspects.

The first point calls for defining a national project for economic and social development. The second point is on the role of the state in the economic and social aspects, while the third point emphasizes the importance of modernizing the agrarian structure and agricultural development.

The fourth point refers to implementing fiscal and tax reform. The fifth point is on a national agreement for economic and social development. The sixth point refers to the public services supplied by the state and its efficiency in the administrative and governmental work, specifically what concerns education, health, work, employment, and housing.

The guerrilla group voiced its hope that the meeting to be held tomorrow with the government of President Ramiro de Leon Carpio will allow advancing toward an agreement that will solve the socioeconomic problems affecting the country.

In this manner, Gonzalez, who is also secretary of the Guatemalan Labor Party, PGT, referred to the meeting that the URNG will hold on Friday with the government delegation and UN mediator Jean Arnault.

Honduras

Deputy: Reina, Officials Guilty of Embezzlement

PA3107211095 Tegucigalpa EL PERIODICO DE
HONDURAS in Spanish 29 Jul 95 p 4A

[FBIS Translated Text] Tegucigalpa — National Party Deputy Africo Madrid has said that the final results of an investigation show that there is sufficient evidence against President Reina and the only thing pending is to start the process of stripping him of his immunity.

The parliamentarian and Judge Roy Medina showed up at the office of Deputy Finance Minister Ramiro Lozano Landa yesterday to follow up on the suit filed against Reina.

Madrid pointed out that "the results, which are backed by irrefutable proof, show that the president is involved."

The deputy said that in his opinion the next step is to start the process of stripping the president and officials involved of their immunity.

He added that the investigations have shown that his charges were true and that was not wrong.

Madrid said categorically that President Reina and certain ranking officials committed the crimes of embezzlement and abuse of power by giving away 3 million lempiras to Sitraterco [Trade Union of Tela Railroad Company Workers].

He pointed out that Deputy Finance Minister Ramiro Lozano Landa was the person who signed the disbursement of such funds.

When asked whether he thinks the process will continue, Madrid replied that "it will proceed if the judge is consistent with his previous actions and goes on to suspend President Reina's immunity."

Deputy Madrid told the deputy finance minister that "I will show Ramiro that I am not acting foolishly, as he has claimed. Justice will most probably try to sentence several ranking officials along with the president of the Republic."

Businessman Implicates Army, Police Officers in Drug Trade

PA0108042095 Tegucigalpa EL PERIODICO DE HONDURAS in Spanish 31 Jul 95 p 10-A

[FBIS Translated Text] Tegucigalpa — Deputy Carlos Sosa Coello, chairman of the National Drug Interdiction Committee, says that the prosecutor general at the Attorney General's Office has a report on drug trafficking that discloses the names and surnames of active duty and retired Army and police officers who are the accomplices of drug distributors and people involved in other crimes.

This information provided by Johnny Budden, a Catholic businessman from San Pedro, is known "not only to me but to at least two people at the Attorney General's Office, in addition to Human Rights Commissioner Leo Valladares. [quotation marks as published]

Budden directs a group of parents and children who have rescued many youths from the clutches of drugs. These youths, in turn, have reported people who are implicated in the distribution of drugs.

Due to this activity, Budden has been attacked on three occasions, the last on the morning of 29 July.

Report Was Stolen in Vain

In this regard, Sosa Coello, chairman of Congress' National Drug Interdiction Committee, said that his home has already been broken into, and "I strongly suspect by the same people because they took the report in vain among many other papers."

"I say in vain because at present, several people have the diskette and copies of it, including Edmundo Orellana, prosecutor general at the Attorney General's Office," he underscored.

Sosa Coello suggested to those who are attempting to silence the informer that it is too late; at any rate, they will have to attack all those who have already been informed.

There Are Endless Reports

Sosa Coello knows the names of the soldiers from the northwestern zone who are involved in drug trafficking, but he declined to reveal them because he does not want to do anything irresponsible or cause irreparable harm, until the facts have been investigated and confirmed.

He said that this is not the only report that exists. "There are others, an endless number, which have been brought to the attention of the Attorney General's Office, the DIC [Department of Criminal Investigation], and the National Council Against Drug Trafficking [Consejo Nacional contra el Narcotráfico]."

The deputy indicated that there are so many names that only those that have any international connection and "constitute an immediate risk to the stability and credibility of the country's financial system" are being investigated.

Nevertheless, he stated that to some degree, the authorities are investigating based on information that is constantly being received from disclosures made by sources such as victims and witnesses of drug trafficking activities.

Investments from Drug Traffickers, an Institutional Risk

Sosa Coello stated that the investments, or the financial aspect of drug trafficking activity in Honduras, is a very serious institutional risk, which must be fought.

At this time, steps are being taken to reform the banking and insurance legislation, and the Banking Superintendency is attempting to implement controls that will enable the authorities to have access to bank accounts.

According to the deputy, banking secrecy in a global economy makes no sense whatsoever since it is a "completely obsolete institution."

Fugitive From Other Countries

Currently, there are "investors who are attempting to gain control of real estate in Honduras. We have fugitives from other countries' judicial system who

have been seeking refuge in our country after having embezzled the state and laundered funds in their own country."

Deputy Sosal Coello stressed that this is a crime against humanity. Moreover, any country that serves as a transit point sooner or later ends up being a consumer since prices tend to decline, which makes the drug more accessible to the country's lower income youths who are already involved in drugs.

Nicaragua

Lacayo Sees Corruption Cases as 'Irregularities'

PA3107153995 Managua Canal Cuatro Television in Spanish 0400 GMT 28 Jul 95

[Report by Oscar Garcia from the "Extravision" newscast]

[FBIS Translated Text] Engineer Antonio Lacayo concedes some cases of corruption have occurred in the government, but he said most are simple administrative irregularities.

The reports about corruption in state agencies continue to increase but, as far as the government is concerned, corruption per se does not exist — all the cases are simple irregularities.

[Begin Presidency Minister Antonio Lacayo recording] This is a government that has guaranteed freedom of expression since the first day, so it is now a victim of its own actions, meaning we can now talk about what we want. Consequently, there is talk about everything, including corruption, and that is good. Everyone should say what he thinks is happening. The problem is that normally the tendency is to exaggerate too much and the term corruption is used to describe administrative mistakes the comptrollership has already detected as such. An administrative mistake should be corrected because all the people in the world make mistakes. [end recording]

The first report on Engineer Arturo Harding's activities as comptroller general of the Republic enumerates 24 cases in which administrative irregularities were detected. The attorney general's office has been notified about this, but no one knows how many have resulted in legal proceedings. According to the reforms, the Comptrollership General of the Republic will investigate each case of state corruption and turn over the case to the courts. This cannot be done for the time being because adjustments must be made to the law.

FSLN Presidential Candidate Search Viewed

95CA0311A Managua EL SEMANARIO in Spanish 6 Jul 95 pp 10-11

[Article by Jorge Katin]

[FBIS Translated Text] On Saturday, 24 June, the Sandinist Assembly discussed the electoral strategy to be pursued by the FSLN [Sandinist National Liberation Front] with regard to the general elections in 1996. During this meeting, it launched a frenetic search for candidates for the posts of municipal council members, legislative deputies, and—above all—president and vice president of the Republic. This task, as reported in a series of surveys published in recent months, will be a very tense process for the party that governed Nicaragua during the 1980's and was defeated by a coalition of disparate parties in February of 1990.

A special Sandinist Assembly commission is drafting the regulations that will govern electoral strategy and the search for candidates for the posts filled by popular election.

According to these surveys, which were taken by polling enterprises that are highly regarded internationally, such as Gallup and Multivex, the number of citizens intending to vote for the FSLN at this time is less than 20 percent—not by any means enough to win power, because the new constitution requires that the winning party have at least 45 percent of the popular vote.

The FSLN will make the official selection of its candidates during its second congress in May of next year. However, the consultations and the drafting of slates have already begun. Although the process was approved on 24 June by the Assembly, and the highest decision-making organ in the red and black party assigned maximum priority to the candidates for posts on the municipal level, the principal battle will pertain to the candidate for the presidency of the Republic. This debate will certainly produce further friction within the FSLN. At present, the national leadership itself is divided on the issue of the kind of presidential candidate needed. A majority that includes Humberto Campbel, Rene Vivas, and Rene Nunez insists that a candidate should be sought in sectors outside the Sandinist movement—while a minority maintains that the choice must be made within the party. Daniel Ortega, the former president of the Republic and current secretary-general of the party, is the central focus in this dispute. He has not excluded the possibility of his candidacy for the post. A majority in the Sandinist Assembly believe that with Ortega heading the electoral slate, the battle for power will be lost in advance. How long will this conflict last? Only time will tell. It should be remembered that the most im-

portant schism the Sandinist movement has experienced to date occurred at the congress held in May of last year. The issue was a policy described by one sector, which finally stayed with the party, as "exclusive." "There will indeed be conflict. It is illogical to think that a normal—and not abnormal—party will not develop diverse views and disagreements in a discussion of this type. I cannot venture to say to what extent, but I do not see a further split due to this issue as feasible," Omar Cabezas, an assemblyman and FSLN deputy in the National Assembly, has said. However, Cabezas admitted that the practice of selecting candidates—especially the presidential candidate—will have to be handled delicately and "with our feet planted firmly on the ground."

Ortega's Prospects

The mechanism for the selection of candidates has currently become a matter of vital importance to the outcome of this process. The idea of a primary election is being promoted by a sector that firmly supports the candidacy of Commander Ortega. "Daniel would carry the day in a Sandinist congress. There is no one who could best him," Jose Lanuza, a member of the Historic Combatants, an organization that weighs heavily in the basic decisions made by the FSLN, stated categorically.

Such a primary election process is supported by the followers of Daniel Ortega, who are aware of his prestige within the FSLN. Definitely, he is the leader of the FSLN and the person who has had the closest contact with the party base. Ortega himself knows that if a mechanism of this sort is used, his candidacy for the presidency of the Republic is assured.

"For the good of the Sandinist movement, he (Ortega) should reject this possibility out of hand," Roberto Laguna, a FSLN deputy and invited guest at the Sandinist Assembly, stated. Invited guests at the Sandinist Assembly were entitled to speak but had no vote. "I am going to make this clear when the proper time comes. I have nothing against Commander Daniel personally, but he is one thing within the FSLN, and another thing entirely in the broader society. And it is society, by means of the vote, that will make the decision. Daniel should support a more acceptable candidate, in my personal view—one who represents broader sectors of the population and can rally the support of more citizens," Laguna reasons.

Prior to the congress held in May of 1994, Ortega had stated that he had no intention of becoming a presidential candidate, but he never made it clear whether he would reject the opportunity if it were offered to him. At that time, this was used as an argument against those who feared that after winning the post of party secretary, he would use his power

to tip the balance in his favor in the debate which is developing now. Ortega achieved his goal at that time.

The surveys mentioned indicate that despite the political decline Daniel Ortega has suffered throughout these past five years, because he is associated with the majority of the acts of violence committed in the country, he still retains a respectable base of support. He is the only FSLN leader for whom a considerable number of people intend to vote, though not enough to give the presidency of the Republic to the FSLN.

The FSLN is faced with a dilemma. Should it stay with Daniel Ortega or not?

Within the Sandinist Assembly, however, the majority view is that Daniel should never run for this post again. Roberto Laguna says that "this is the majority view I am hearing. The majority of the comrades in the Sandinist Assembly with whom I have talked believe that it would not be a good thing for one of the members of the national leadership to seek this candidacy. However, at the present time, there is a minority sector that has blind faith in Daniel Ortega and trusts no one else. I know that there are many who could represent the interests of the poor, and many of us believe that no one, not even Daniel Ortega himself, is the sole individual capable of doing this."

According to Omar Cabezas, the FSLN strategy should be simple. First, an alliance should be established with the popular sectors—that is to say, popular unity should be consolidated with the social and economic organizations that share the views of the Sandinist movement. "This would be an alliance of a strategic nature. In a second phase, we should seek alliances with other political forces that are not necessarily Sandinist. We are speaking of a national alliance," Cabezas explained. He was present during all of the discussions at the Assembly in question.

Cabezas was asked with whom such an alliance should be established.

"With any one except Arnaldo Aleman," he responded without hesitation.

A week ago, Henry Ruiz, a member of the FSLN board of officers, publicly denounced an alliance between the leadership of the FSLN and the program to preserve the status quo sponsored by Antonio Lacayo, the son-in-law of President Violeta de Chamorro. "The reference to Aleman was a pretext designed to justify the alliance with this ridiculous program," Ruiz warned this week.

The Possibilities

But who are these candidates being sought so desperately by the FSLN? In circles close to the national lead-

ership, the names of individuals affiliated with the FSLN and others that do not necessarily have any links with the Sandinist movement are being juggled.

Vilma Nunez de Escorcia, president of the Human Rights Center [CENIDH], is one person being considered by a number of members of the national leadership.

"I know nothing yet about this possibility, but I cannot dismiss it at this time." This was the first statement made by Dr. Nunez on learning that her name had been mentioned. "The FSLN must embark upon a truly democratic process, and the results must reflect the desires of those at the base level. I believe, however, that there are enough courageous people in the FSLN so that these candidates can come from within the party. With regard to the candidacy of Commander Daniel Ortega, I am concerned about the haste with which this might be promoted, because I believe that much still remains to be done before launching these candidacies," Dr. Nunez argued.

Leonel Arguello is president of the board of directors of Interbank. He is not a member of the FSLN, but in recent years he has consistently been linked by friendship with various leaders of that organization, and he held major posts during the Sandinist revolution.

"I am not aware that my name has been mentioned. No one has told me so, and I do not think that this idea would prosper," Arguello has stated.

He was asked whether he would exclude this possibility entirely.

"I am an advocate of national unity. What I would not agree to do is to be the candidate of an exclusive sector of society or a particular ideology. I believe this gives you my answer," Don Leonel Arguello responded laconically.

Engineer David Robleto, the president of the Concafe [National Coffee Corporation], is being considered by at least two members of the Sandinist board of officers as a national unity candidate and representative of the producers of coffee, the most important of the country's export products.

"This is the first I have heard of it, although if it were true, I would be pleased. However, I am a fervent advocate of national unity and of doing away with class hatred. Party candidacy is just that, since a candidate represents only a part of society. But this does not resolve the national problem. I believe that what we need here is someone like Alfredo Cristiani, who has succeeded in bringing the warring classes closer together," Robleto Lang said. He defined himself as a

member of the PLC [Constitutionalist Liberal Party] "by accident."

"I served my prison sentence with many Sandinists. A year was stolen from me by prison, but because of the erroneous confiscation policies being pursued, I joined a political party. It turned out to be the PLC. However, I am not an active member."

Other individuals mentioned thus far include Dr. Alejandro Martinez Cuenca and Daniel Nunez, president of the UNAG [National Union of Farmers and Cattlemen]. Nunez admitted in a written interview granted to EL SEMANARIO that he has received offers from "the orthodox faction," and he did not dismiss the possibility that his name might appear on the 1996 ballot, because, he said, "Politics runs in my blood."

However, the main battle will focus on the figure of Daniel Ortega, and it will not be until a decision is made on this issue that the FSLN will be able to proceed to discuss the other candidates. The FSLN seems doomed, at least for the 1996 elections, to base its electoral hopes on its secretary-general. If Ortega is the candidate, he will not win the election, but if some other is the candidate, it seems unlikely that the FSLN will win as many votes. "It all depends on what candidate is chosen is and on what support he can win, not only from the base levels of the FSLN, but from other sectors outside the Sandinist movement, as well," Roberto Laguna, a peasant leader from Esteli, said.

What About Thomas Borge?

Another factor that should not be ignored is the emergence of another candidate from within the national leadership. Thomas Borge has at least two supporters within the leadership, and the power Borge is gaining within the FSLN through the control of the mass media might prove very useful to him when it comes time to try to realize a dream he has had for years—to be president of the Republic. The search for candidates seems to be the watchword of many political parties now, and of the FSLN in particular.

The base levels are concerned with the convention, less than a year away, that will make the final decisions and determine the future of the Sandinist movement. The search for a presidential slate—that is to say, a winning formula—will not be at all easy for this party. It was forged in the course of the guerrilla struggle and has undergone major trauma in adapting to the new times, modernizing not only its structure, but also its thinking about political leadership. Personalities continue to have great weight in the policy decisions of the FSLN; but, as Omar Cabezas said, "We must keep our feet on

the ground." Meanwhile, the search for candidates has already begun.

Panama

President Returns From Fujimori Inauguration

PA3107134895 Panama City EL PANAMA AMERICA
in Spanish 29 Jul 95 p A-3

[FBIS Translated Text] President Ernesto Perez Balladares has returned to the country after attending the inauguration of Peruvian President Alberto Fujimori to a second term.

Perez Balladares yesterday said he was pleased with the message of hope and reconciliation his counterpart, Alberto Fujimori, expressed to the Peruvian people at the beginning of his second term in office.

"We were very pleased to hear a summary of the achievements of President Alberto Fujimori during his first term, but we were extremely happy to hear his message of hope, reconciliation, unity, and development to the people," the Panamanian president said.

"It is a long and tedious process, but we are doing this little by little, and we are committed to achieving it before the year 2005, a goal we set for ourselves at the Miami Summit," Perez Balladares said as he left the legislature, where he and eight other Latin American heads of state attended the inauguration of President Alberto Fujimori, who will continue to govern.

Cuban Minister Arrives, Makes Statement to Press

PA3107162895 Panama City TVN Television Network
in Spanish 1300 GMT 31 Jul 95

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina arrived yesterday afternoon at Tocumen International Airport on a commercial flight from Havana, Cuba. Upon arriving in Panama, Foreign Minister Robaina spoke to the press:

[Begin recording] [Robaina] I am here at the official invitation of Foreign Minister Lewis Galindo. I visited Peru and will continue with an official visit to Guyana.

[Unidentified reporter] What type of negotiations will be held with Panama? Will any agreement be signed?

[Robaina] This is not a visit to hold negotiations or to sign contracts. This visit is made within the framework of a long-lasting relationship. This relationship has been through many changes, but there have always been strong economic relations. That economic relationship is part of an agenda over which we have many things to discuss.

[Reporter] What specific topics will be discussed?

[Robaina] We will discuss topics involving that bilateral relationship, which has a strong economic impact not only for what has been done but for what we are willing and able to do.

There are regional situations that concern us, however: the coming Ibero-American Summit, the coming presidential summit of the Association of Caribbean States in Trinidad and Tobago, and the preparations for the Nonaligned Movement meeting. We will also discuss the upcoming UN anniversary. As you see, there are many topics to be discussed.

[Reporter] [Words indistinct]

[Robaina] There are always possibilities but not exactly of making investments. I believe that once there is an economic relationship as the one we have today, the thing to do is to explain to Panama all the prospects that Cuba has and that Cuba can also see the prospects Panama offers.

[Reporter] [Words indistinct] Jesse Helms' initiative to tighten sanctions against Cuba.

[Robaina] Our position and that of the international community are well-known. I believe our people reject initiatives aimed at interfering in the sovereignty and independence of our country. We have 35 years of experience in doing this. Having five or six more years of experience would be to accumulate experience in this area, but they are making a mistake because they have not only tried to undermine the sovereignty of Cuba this time but have always tried to interfere in the sovereignty of third countries. This position is the root of the strong rejection of the international community to a project of that nature.

I prefer to believe in more rational Congressmen. Knowing that there are people capable of sponsoring an initiative of this kind and speaking of placing aircraft carriers along the coasts of Bolivia really makes one wonder.

[Reporter] Mr. Foreign Minister, we would like to hear about the democratization and the ongoing movement in Cuba.

[Robaina] Of course. We launched a broad process of democratization a long time ago. I believe that in the name of democracy there are concepts that cannot be imposed on any country if we want a pluralistic world. I believe many barbaric acts are being perpetrated in the name of democracy and believe it would first be necessary and a show of respect to learn what the Cuban democratic experience is, as we also respect other experiences in other places of the world even though we may not share them.

[Reporter] How long will you be in Panama?

[Robaina] For 36 hours, I believe. I will go back on 3 August.

[Reporter] [Words indistinct] a general assessment of the results of the latest talks between Cuba and the United States?

[Robaina] I believe those talks continued the work initiated in New York. More recently, the agreements have been checked every 45 days in meetings between Cuban and U.S. delegations and in the 2 May agreements. These talks centered on that same topic, and I can assure you that no other topics are being discussed or that no behind-the-scenes talks are being held.

[Reporter] Will your meeting with officials here center on economic issues?

[Robaina] The important priority for Cuba is to find an economic solution, and my mission here is to begin working now, if you will please allow me.

Official Supports Fort Davis Investment Projects

PA3107141595 Panama City Circuito RPC Television in Spanish 1730 GMT 29 Jul 95

[From the "Midday Television News" newscast]

[FBIS Translated Text] Investment projects worth millions will be developed in our country within the coming months. The government says this is the only way to create new jobs, but some people are criticizing the benefits the investors will receive in exchange.

Of the investment projects that are to be developed soon, the so-called industrial park is expected to be the most important. It is a site at the reverted areas co-owned by Panama and Taiwan where international firms will be installed.

Foreign Ministry Adviser Jose Blandon has said the following:

[Begin Blandon recording] The idea is for both governments to pledge to develop this export area, thereby allowing Chinese businessmen, and Panamanian businessmen who would also like to do so, to develop jointly or individually export firms at Fort Davis, a reverted area. [end recording]

This could be the beginning of considerable eastern investments in Panama, and it will generate approximately 20,000 jobs, according to estimates. Virtually no one is opposed to this project, but there are doubts about the benefits Panama will give those investors.

[Begin Blandon recording] The concessions that are being granted are those established in Law No. 25; those concessions were designed by the previous government

and, I believe, are fully intended to be a means of serving and competing in the international market. I repeat to our dear fellow Panamanians that Panama is not the only country in the market for processing zones. [end recording]

The governments of Panama and Taiwan are working on the project, which should be under way by year's end.

Canal Administrator Examines Personnel Issues

PA3107192795 Panama City LA PRENSA in Spanish 30 Jul 95 p 3

[Report by Rolando Rodriguez B.]

[FBIS Translated Text] The Panama Canal cannot be turned into an employment agency to absorb the Panamanians who are suffering the consequences from being unemployed, Panama Canal Commission administrator Gilberto Guardia has warned.

The high-ranking official, who participated in a seminar on the economic impact of the departure of U.S. military bases in Panama, said that the government must show a strong political determination to avoid the Canal's becoming political booty when this important property is turned over to Panamanian hands.

Guardia explained that in 1979, when the Torrijos-Carter Treaty went into effect, the workforce of the Panama Canal Company was approximately 13,000 employees, but currently it is less than 7,500 employees; namely, 40 percent less than 15 years ago.

Despite drastic personnel reductions throughout the years, the complex and sophisticated work program in the Canal is maintained with high marks of efficiency, Guardia stated. What the government wants, he added, is to continue the current system of work conditions, including salary.

Nevertheless, the Coalition of Unions of Panama Canal Commission Workers denounced this week the Commission's proposal to reduce current average salaries for new workers.

According to Panama Canal Commission workers, the intent is to reduce salaries by 20 percent for new employees, leaving the salaries of current workers unchanged.

The Panamanian administrator remarked that it is not necessary to lower salaries. However, he warned that the Canal cannot be turned into an employment agency. The waterway was built to allow the transit of vessels, and the jobs it has generated along the way are just a consequence, Guardia stressed.

He added that the Canal cannot open its doors to absorb the unemployed of the country, because it would make Canal operations less efficient and more costly.

Taking over the Canal is perhaps the most important thing Panamanians will do this century. The administrator concluded the nation cannot afford to fail in this enterprise.

Article Outlines New U.S.-Panama Relationship

PA3107180095 Panama City LA PRENSA in Spanish
31 Jul 95 p 44A

[Article by I. Roberto Eisenmann, Jr.: "Special Relationship With the United States"]

[FBIS Translated Text] It is no secret to anyone that I have a very clear position against the North American military presence in Panama beyond the year 2000.

I believe I have made it clear this position does not reflect a sterile exercise of nationalism in a time of globalization.

I believe that the best defense for the Panama Canal — our Panama Canal — is that we become a demilitarized and neutral country. To those "out-of-touch" with our country and other countries... we are already — by constitutional mandate — a demilitarized country. Only the withdrawal of North American troops — required by the Treaty — on 31 December 1999 is pending to complete the mandate effectively.

In addition, since I do not like to make the same mistake twice, I do not want my grandchildren to be forced to fight against another Noriega... a thing that would most likely occur if the gringo military stays. Don't you see that LA PRENSA of Saturday, 22 July, includes two reports demonstrating the persistent militarization trend on the part of the gringos? They invite Raul Montenegro to a "defense ministers" meeting in Washington, and he, instead of turning the invitation down, given the fact he is government minister of a demilitarized country, immediately puts back on the helmet he seems to miss. Another report announced that the U.S. Army South is going to carry out military exercises in Panama, together with other armies from the continent, including those of Ecuador, Colombia, and Argentina... and Panama "has no objection." Long live the demilitarization! Indeed, gringo military officers sometimes appear to be brainless! Do you remember when they announced military exercises in Chiriqui Province shortly after

the beheading of Hugo [Spadafora]? On that occasion, from Cambridge, I telephoned the head of the Southern Command and lashed out against him, to which he replied with a question: "Do you really believe that the Defense Forces had anything to do with the beheading and death of Spadafora?... or was it the work of some Noriega enemy who wants to hurt him?" What do you think? Brilliant, isn't it? A five-star general asked that question... and then he went on to direct NATO!

With this I don't mean to degrade the gringo soldier, but to demonstrate simply that their mental architecture is not framed to understand the corruption [maleante-ria], cruelty, and uselessness of the Latin American uniformed mafias. They still think that after getting an "A" in the human rights course offered at the School of the Americas (ask Mr. Reeder) Latin military officers become sheep and "good officers," respectful of democracy... just like them.

Finally, I feel every people must reach adulthood. We must face the fact that we are going to have to live without gringos — gringo military officers — because many beloved gringos live with us happily, including my dear mother.

What does this all have to do with the title of the article: "Special Relationship With the United States?" I believe that in spite of all of the above, we must formulate a "special relationship with the United States" which survives beyond the year 2000 for pragmatic reasons. In this regard, I have presented some ideas, even to the president of the Republic, which may include the ready access [preceding two words in English] (access in case of emergency) without the presence of a single U.S. uniformed man in Panamanian territory... and the quid pro quo may include a special consideration of individual access to the northern market and/or a few more things. Reopening the treaty to renegotiation in a unipolar world like the current one is seeking an imposition, a thing I believe no Panamanian would ever do.

Let us look for the good and practical for our relationship with the gringos, and let us not again commit the same mistakes of the past.

And to those Panamanian friends who insist on staying eternally in adolescence... a piece of advice in English: "Grow up!" [preceding two words in English]

Argentina

Menem Returns From Peruvian Presidential Inauguration

PY3107235295 Buenos Aires TELAM in Spanish 0739 GMT 29 Jul 95

[FBIS Translated Text] Buenos Aires, 29 Jul (TELAM) — President Carlos Menem arrived back from Peru shortly before 0400 today at the military area of the 'Jorge Newbery' metropolitan airport. He had been attending the inauguration ceremony of his counterpart Alberto Fujimori. This is Fujimori's second term of office.

The president traveled from Lima aboard the presidential plane Tango 01. He was accompanied, among others, by Lieutenant General Martin Balza, the Army chief of staff; Rear Admiral Carlos Marron, the chief of the military household of the presidency; and Mint President Armando Gostanian.

Menem immediately left the metropolitan airport's military area without making any remarks to the journalists who were waiting there. He left aboard a helicopter for the Olivos presidential residence to rest.

During his last official ceremony before returning to Buenos Aires, the Argentine president participated last night in a reception that the Peruvian president hosted for the visiting presidents at the government palace in Lima.

Uruguayan President Julio Maria Sanguinetti, Paraguayan President Juan Carlos Wasmosy, Chilean President Eduardo Frei, Brazilian President Fernando Henrique Cardoso, Colombian President Ernesto Samper, Venezuelan President Rafael Caldera, Bolivian President Gonzalo Sanchez de Lozada, and Panamanian President Ernesto Perez Balladares were present at the reception.

Menem yesterday participated in a ceremony at the Peruvian Congress to inaugurate President Fujimori's second five-year term of office. This was the main reason for Menem's visit to Peru.

Camilion on Williamsburg Meeting, UNSC 'Failure'

PY3107170595 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1506 GMT 29 Jul 95

[FBIS Translated Text] Buenos Aires, 29 Jul (NA) — Defense Minister Oscar Camilion believes that "countries sitting on the UN Security Council have obviously failed" in their attempt at solving the situation in the former Yugoslavia — where "crimes keep piling up and acts of vengeance have mushroomed" — because "they lack a political plan."

Camilion stressed that the situation in the former Yugoslavia "is worrisome and threatening due to the fact that things are not only quite bad in Bosnia, but action is also spreading to Croatia."

The defense minister, who will meet with the chiefs of staff of the Armed Forces on 31 July to discuss a new budget cut for the military, is at present in the United States, where he attended the first summit of defense ministers of the Americas in the city of Williamsburg.

Camilion was of the opinion that the United Nations has "clearly failed" in the handling of the issue of the former Yugoslavia. He nonetheless expressed the belief that "the failure can be particularly imputed to the countries sitting on the Security Council, which are at the same time the ones that control NATO."

The defense minister, speaking on the radio, said: "In this operation in Yugoslavia, there is a dual element at play — on the one hand, the United Nations, and on the other, NATO, whose air attacks have elicited Serbian reaction in the form of taking people hostage."

To that effect, Camilion reported that yesterday he had met with U.S. Defense Secretary William Perry, who informed his counterparts from Argentina, Canada, and Brazil — the three countries having servicemen in the former Yugoslavia — that the situation there "is becoming more and more difficult because crimes keep piling up and acts of vengeance have mushroomed."

The defense minister underscored the results of the Williamsburg summit, noting that if democratic systems in the hemisphere had not been consolidated, "it would have been impossible to hold this summit meeting because it would have lacked proper representation."

"The objective is to help consolidate democracies, for it is an open secret that there are some Latin American countries where there is a sort of dualistic situation between civilians and the military because the Armed Forces do not accept control by civilians," he said in obvious allusion to the situation currently confronting Chile.

With regard to the sale of real estate belonging to the Armed Forces, the defense minister explained that "it is not a project, but rather a process that started some time ago within the framework of the Defense Ministry."

To that effect, Camilion disclosed that one-fifth of the Army facilities in Campo de Mayo — some 850 hectares — will be sold, whereas the remaining part will continue to be in the hands of the Army because it still has military use.

The defense minister added that there is "a redeployment process" currently going on within the Armed Forces,

and he cited the recent agreement signed between Army Chief of Staff General Martin Balza and the Santa Cruz governor for building barracks in the City of San Julian, where the Engineers unit will be transferred.

On another subject, the defense minister minimized the remarks made by former Admiral Emilio Massera, who said that Balza's self-criticism had sown division within the Army when pointing out that the Army chief of staff's remarks "translated the institutional thought of his branch."

Former Junta Commander Massera on Repression, Dirty War

PY0108023095 Buenos Aires LA NACION in Spanish
29 Jul 95 p 5

[FBIS Translated Text] (DYN) — Former Admiral Emilio Eduardo Massera, who was convicted by a civilian court on charges of human right violations and then pardoned by President Carlos Menem, said yesterday that politicians and entrepreneurs "never opposed the war against subversion." On the contrary, before and after 1976 "they encouraged us" to continue the struggle.

Massera said these same people helped the Armed Forces take over power on 24 March 1976, adding that shortly before the coup the military commanders suggested to then provisional President Italo Luder — who was temporarily replacing Maria Estela Martinez de Peron — that he take over power, stressing to him that the Armed Forces would stay subordinated to him.

"Luder understood that what we proposed was not suitable. The Armed Forces were not thirsty for power and blood when they decided to take over; it was a reality that was openly discussed on the streets," Massera said.

The former commander talked through Radio America with reporter Daniel Hadad. It was his first direct talk with a journalist. The dialogue took place only a few days after Massera broke his decade-long silence in an interview with GENTE.

The former Navy officer criticized those who pointed to him as one of the main persons responsible for the torturing, disappearances, and assassinations in clandestine detention centers during the military dictatorship.

Massera mentioned the case of writer Ernesto Sabato, his communist background, and his activities at the head of Conadep [National Commission on the Disappearance of Persons] during the Raul Alfonsin administration.

Justifying Torture

Massera denied that the detention centers had been clandestine, and justified the use of torture, saying: "Methods used to interrogate terrorists are different from those used in a country that is experiencing stability and peace, where the questioning is conducted according to normal procedures."

Massera also questioned Army chief Martin Balza's self-criticism with respect to the role of the military during those years: "If I am not mistaken, at that time he was a senior major or lieutenant colonel, that is, he was not a poor kid who did not know what was happening."

"Balza's mea culpa is not honest, because he does not accept that he too was responsible," the former Navy chief said.

Massera smiled when the reporter asked him whether he could walk without problems through Buenos Aires streets. Massera said that the reports talking about repeated aggressions against him in restaurants and other public places are the work "of journalists who want to spread hate gratuitously."

Massera regretted the fact that because of this attitude "we will continue in this war, which will never end."

Main Concepts

The following are Massera's most important remarks:

— "I accepted (the interview with the magazine GENTE) to talk, but according to some rules: First, I had to know beforehand what was going to be published — this clause was not respected; second, I did not want anything recorded. I suppose they did not record anything, because the chat was entirely informal."

— With respect to detention centers: "There is no doubt that they existed. We must accept that people disappear and die in wars. I think the issue has been exaggerated. What I call Sabato's novel 'Never Again' is an exaggeration. In his report a number of people give their testimony, but it was not confirmed in federal court except in some cases."

— With respect to torture: "It is not that I do not recognize it, (but) a few days ago the Israeli defense vice minister accepted that prisoners cannot be interrogated as if they were in a country experiencing stability and peace, where interrogations are carried out according to normal procedures. When you interrogate a terrorist — I have not had the occasion to do so, but I am responsible — I think the methods are different. It does not mean that I defend torture, far from it."

— "We did not have clandestine centers. This thing about clandestinity is the work of the radical opposition,

which depicted the detention centers as something tortuous. Detention centers exist in any war."

— "There is a lot of talk about my position with respect to General Juan Peron. I never imposed my opinion concerning promotions on him."

— "Anyone with any knowledge about promotion mechanisms in the Armed Forces knows that the commander proposes a list, but who really (decides) is the president."

— "My relation with Mrs. Peron is one of friendship. She never asked me whether I wanted to occupy any political position."

— "I feel great respect for General (Jorge Rafael) Videla. There is a dark legend that speaks about my differences with Gen. Videla. We had our differences, as much as I had differences with Brigadier (Orlando Ramon) Agosti or many other military chiefs. We have always respected each other, and I have a great opinion of Gen. Videla's conduct."

— With respect to the relatives of missing people: "It is true, I said they were partly responsible for not knowing how to control what their children were doing, but I feel it is bad taste to mention the name of a military man as an example, particularly the name of (Admiral Enrique) Molina Pico, for whom I have deep respect."

Army Harshly Criticizes Admiral Massera's Remarks

PY0108024495 Buenos Aires CLARIN in Spanish
30 Jul 95 p 8

[FBIS Translated Excerpt] "It is an affront against the Army. This man cannot give us advice, for we all know who he is. We do not accept his tutoring." The "man" in question is former Admiral Eduardo Massera, and the person who made this comment to CLARIN yesterday is Division General Anibal Laino, current Army staff director general.

Laino is in the ninth position in the Army leadership hierarchy, but is the right arm of the Army chief, Lieutenant General Martin Balza. That is why his frontal attack against the former admiral can be considered the Army's clear institutional answer to Massera.

Massera censured Balza for his self-criticism of the Army role during the last military dictatorship. Massera said that Balza's "mea culpa is not honest, because he does not accept his responsibility. He was not a poor kid who did not know what was going on." [passage omitted]

Gen. Laino had an exclusive talk with CLARIN. He said that Balza's message represented "the institutional

position," adding that with the message the Army "wanted to contribute to the national reconciliation."

Without hiding his "annoyance" with Massera, Laino said: "We are trying to earn our people's affection and respect, and our ethical framework is the law. We will never again fall into a state of lawlessness."

CLARIN told Gen. Laino that Massera had said that during the dictatorship Balza was not a "poor kid" who did not know what was going on.

"It is a hasty comment. He (Massera) must remember what he used to do with officers who disagreed with some of his decisions."

Bolivia

President Sanchez Conditions Lifting of State of Siege

PY3107165695 La Paz Radio Cadena Nacional
Network in Spanish 1100 GMT 21 Jul 95

[FBIS Translated Text] President Gonzalo Sanchez de Lozada has promised Max Fernandez — his personal adviser and UCS [Solidarity Civic Union] leader—that the state of siege will be lifted if the government can calm the social discontent within 30 days.

The president summoned his sometime political partner to his residence in San Jorge yesterday to urge him to support the extension of the state of siege. Max Fernandez, President Sanchez de Lozada's personal adviser, left the meeting convinced of the importance of extending the state of siege because of threats of commotion in the tropical region of Cochabamba.

Just two days ago Max Fernandez voiced his opposition to the government decision. The president of the Republic said he invited Mr. Max Fernandez — in his role as UCS leader — to participate in the national reconciliation effort, with the rank of adviser to the presidency of the Republic.

During the meeting, at which the government minister was also present, the UCS leader demanded more information on the capitalization process of strategic Bolivian companies.

Minister Orders 'Immediate Release' of Banished Leaders

PY3107180495 La Paz Radio Cadena Nacional
Network in Spanish 1100 GMT 31 Jul 95

[FBIS Translated Text] After signing in Cochabamba an act of understanding with the intermediate leaders from the five coca growers federations from the tropical region and the Isiboro-Secure National Park, Government

Minister Carlos Sanchez Berzain has ordered the immediate release of all banished coca grower leaders.

The meeting was held on 29 July, and as a result, all threats of fasts and roadblocks made by peasant leaders have been annulled.

Opposition Criticizes Telecommunications Law
95SM0440A La Paz HOY in Spanish 7 Jul 95 p 8

[Unattributed article; first paragraph is HOY 7 introduction]

[FBIS Translated Text] *Article 37 of the Telecommunications Law promulgated late Thursday [6 July] is in conflict with article 20 of the political constitution of the state, which establishes the inviolability of communications. The new law violates that precept.*

Article 37 of the Telecommunications Law, which was promulgated by the government of President Sanchez de Lozada late Wednesday [as published] violates the political constitution, which provides for the inviolability of communications.

This was charged by political figures from the opposition, who complained about the lack of agreement for a detailed discussion in the Chamber of Deputies—which resulted in passage of the law in the absence of the opposition's views.

Christian Democratic Party Deputy Benjamin Miguel explained that, because of the hurried way in which the bill was passed through Congress, constitutional precepts were ignored.

The Contradiction

The treatment of inviolability of communications in the Telecommunications Law is at odds with the guarantees authorized to Bolivians by the constitution, which states that these conversations may not be intercepted by anyone at all.

Article 37 of the law says that: "Telecommunications services are declared a public utility. Except by judicial order in favor of a competent authority, it is totally prohibited to intercept, interfere with, obstruct, alter, redirect, publicize, or divulge the content of telecommunications."

However, article 20 of the second chapter, Personal Guarantees, of the political constitution of the state, says: "No public authority nor any person or organism may intercept private conversations or communications by means of installations that monitor or connect them."

The Government's Opinion

Nevertheless, Communications Subsecretary Carlos Zamorano said that calls will not be intercepted, as there is an article in the Telecommunications Law on the subject of inviolability of communications.

As for the possibility that future governments might challenge the law as unconstitutional, Zamorano said that the law is a basic instrument of telecommunications, and the country would be harmed if the law were to be annulled.

"Annulment would be to go against change, as this is a legal instrument of progress which takes into account the national reality and the country's needs in the areas of legislation and telecommunications services," Zamorano observed.

Will It Affect Entel?

As to whether these considerations might affect the capitalization of the National Telecommunications Enterprise [Entel], Zamorano said that they would not, as there is already a contract of concession between the government and the strategic partner.

The grounds for voiding the contract of concession and administration will be clearly established, so that it will be difficult to challenge the contract and reverse the process of Entel's capitalization.

[Box, p 8]

"There is a dangerous tendency in that article, but it is justified because it is a matter of protecting the security of the state and the integrity of society," said MNR Deputy Roberto Moscoso.

One day after President Gonzalo Sanchez de Lozada promulgated the Telecommunications Law, the MNR [Nationalist Revolutionary Movement] admitted that the law authorizes interference with private communications, denounced as a violation of the political constitution of the state by Christian Democratic Deputy Benjamin Miguel.

"There is a dangerous tendency in that article, but it is justified because it is a matter of protecting the security of the state and the integrity of society," said MNR Deputy Roberto Moscoso, who doubted, however, that the law violates the constitution.

Benjamin Miguel

According to Benjamin Miguel, article 37 of the Telecommunications Law legalizes interference with private communications with a judicial order from a competent authority: "This is unconstitutional because

it threatens the fundamental law of the nation, and violates personal rights and constitutional guarantees," he added.

In the opinion of MIR [Movement of the Revolutionary Left] Senator Leopoldo Lopez, this law can be challenged in the next government, to be elected in 1997, precisely because it is illegal.

[Box, p 8]

The Opposition Will Challenge the Telecommunications Law

La Paz, 6 July (EFE) The passage of the Telecommunications Law with the vote of the progovernment majority in the Chamber of Deputies, and its immediate promulgation by the executive, has caused broad discontent among the opposition parties, who threaten to challenge the law.

MIR Senator Leopoldo Lopez warned today that the opposition parties will demand the nullification of the Telecommunications Law during the next constitutional period.

Defect of Nullity

Lopez said that the serious irregularities committed during consideration of the proposed law in the Chamber of Deputies cause the new law to be null.

He explained that during the next constitutional period, beginning on 6 August 1997, the correlation of political forces in Congress will have changed, and annulment of the law will be facilitated by its inapplicability and because it is anticonstitutional.

"We in the opposition parties will be able to present a resolution requesting the inapplicability of the Telecommunications Law because, as it was passed by the Chamber of Deputies, it is null, and we can do it in the next legislature, when the correlation of forces changes," Lopez said.

As It Was

The MIR senator complained that, despite the observations made by his party and other representatives of the opposition in the upper house, the law was passed without significant changes—and, even worse, that the Chamber of Deputies decided to pass it "as it was" in a session in which there was sufficient time to discuss the subject.

"We saw that the Chamber of Deputies had decided to pass the Telecommunications Law as it was, without taking into account the recommendations made about the proposal, which affects considerably the interests of

the country, such as the monopoly and the possibility of interventions in telecommunications," said Lopez.

The Nationalist Democratic Action and Conscience of the Fatherland parties also expressed their opposition to the law and, in protest, did not send congressional representatives to the working lunch hosted by President Gonzalo Sanchez de Lozada for Thursday, to discuss decentralization.

Opposition Deputies Criticize Central Bank Law

95SM0440B La Paz HOY in Spanish 8 Jul 95 pp 8-9

[Article: "BCB Law, Law of Conflict"]

[FBIS Translated Text] *The new Central Bank law, under discussion in Congress, violates the Press Law, the political constitution of the state, and the Civil and Criminal Codes, opposition deputies charge. First, it classifies as crimes and establishes criminal penalties for those who "maliciously" destabilize the financial system with information and, second, it authorizes the Central Bank of Bolivia [BCB] to dispose of the international reserves without congressional authorization.*

The new BCB law, passed by the Senate as a whole last Thursday [6 July], contains articles that are in clear conflict with the existing judicial system and with the political constitution of the state, opposition deputies Andres Soliz Rada and Carlos Garcia of Condepa [Conscience of the Fatherland], charged yesterday.

For one thing, anyone who diffuses information or rumors about capital flight or withdrawals of deposits from the national financial system will go to prison for from two to six years (and perhaps longer).

This is provided for in article 78 of the law and would be in clear conflict with the national judicial system, which possesses a Press Law to resolve disputes between civil society and organs of the state and the government with the communications media, the deputies said.

The law states: "Whoever conducts fraudulent maneuvers for the purpose of causing or encouraging the departure of capital from the country or the withdrawal of deposits of any amount from the financial intermediation system, or whoever by any means diffuses false information or unfounded rumors that have the same purpose, will incur loss of liberty for from two to six years. The sentence will increase by as much as one-half if any of the effects described occurs as a result of the actions mentioned."

Only the judiciary and its dependencies can classify crimes and establish penalties, other political figures say.

Also, article 79 of the law says that executives of the public financial sector are prohibited from releasing or providing information about operations of the Central Bank and the other financial agencies.

They will be discharged if they do so, but the law does not establish prison penalties, as in the previous case, because it says that they will be placed at the disposition of the courts for the imposition of a criminal or civil penalty.

A Go-Ahead for the Sale of International Reserves

In addition, this same law would enable the BCB to dispose of the country's international reserves, which by law it cannot do.

Article 11 of the BCB law says "The Bank (BCB) will administer and manage its international reserves, being able to invest them and deposit them in custody, as well as disposing and pledging them in the manner it considers most appropriate for the fulfillment of its objective and its function for their suitable safeguard and security."

Passage of the law would enable the BCB to mortgage or sell, without the authorization of Congress, the 26 tons of unrefined gold stored in the vaults of the BCB—which would be worth \$300 million, according to press reports of 10 years ago.

What the Constitution Says

Among the attributes of the legislative branch, the political constitution of the state, article 59 clause 7, includes: "To authorize the alienation of national, departmental, municipal, and university property, and everything that is in the public domain."

Also, chapter III of the constitution says: "In addition to the property to which the law ascribes that quality, of natural domain of the state are the soil and the subsoil with all their natural wealth, lake, river, and medicinal waters, as well as physical elements and forces susceptible to exploitation. The law will determine the conditions of this domain, as well as those of its concession and adjudication to private persons."

The Reserves

Our country's international reserves consist of physical gold, foreign currency deposited in the Bank itself or in international financial institutions, any reserve asset recognized internationally, promissory notes of exchange in favor of the Bank, public bonds and other negotiable instruments issued by foreign governments, agencies and international organizations, and its own contributions to international financial organizations.

These resources can be utilized by countries to meet their obligations.

The net international reserves of the Central Bank, according to the Monthly Bulletin of the BCB of April 1995, amount to \$411.4 million, and gross gold reserves are estimated at \$39.6 million. However, the deputies use the \$300 million in gold without explanation.

[Box, pp 8-9]

About International Reserves (Article 11 of the Proposed BCB Law)

"The Bank (BCB) will administer and manage its international reserves, being able to invest them and deposit them in custody, as well as disposing and pledging them, in the manner it considers most appropriate for the fulfillment of its objective and its function for their suitable safeguard and security."

[Box, pp 8-9]

What the Political Constitution of the State Says

Attributes of the legislative branch (Article 59, clause 7): "To authorize the alienation of national, departmental, municipal and university property, and everything that is in the public domain."

Article 136: "In addition to the property to which the law ascribes that quality, of natural domain of the state are the soil and the subsoil with all their natural wealth (..) The law will determine the conditions of this domain, as well as those of its concession and adjudication to private persons."

Poll Reveals Political Parties Losing Credibility

95SM0440C La Paz HOY in Spanish 10 Jul 95 p 3

[Article: "Party Members Do Not Support Their Leaders"]

[FBIS Translated Text] *Data from the poll "What Bolivians Are Thinking" by the firm Polls and Surveys.*

The membership of the principal parties would not support any of the current political leaders in the 1997 elections. This emerges from the most recent opinion poll, "What Bolivians Are Thinking."

Previous polls published by various institutions showed that politicians in general have lost the trust of citizens, but no previous poll had sought the opinions of party members.

To the question, "Supposing that you intended to vote for that party in the elections of 1997, for whom in the party would you vote?" the answers of the members of the parties represented was as follows: in the ADN

[Nationalist Democratic Action], contrary to what might be supposed, a broad majority of those polled (71 percent) would not vote for anyone. Only 18 percent would vote for Hugo Banzer Suarez.

In the MNR [Nationalist Revolutionary Movement], it will not be easy to fill the void that Goni will leave when he finishes his term of office. About 78 percent of those polled said they would not vote for anyone. According to the poll, Condepa [Conscience of the Fatherland] leader Carlos Palenque will have to work very hard to regain the trust of his members, as 68 percent said they would not vote for anyone; 20 percent remain faithful to their "compadre."

The leadership crisis affects the MIR [Movement of the Revolutionary Left]. Around 73 percent of the members of that party would not vote for anyone; 21 percent would vote for Jaime Paz.

Its participation in the government has also affected the MBL [Free Bolivia Movement]. Some 70 percent of its members do not see anyone to vote for; 15 percent would be willing to vote for current Foreign Minister Antonio Aranibar.

Justiniano Discusses Costs of Decentralization

95SM0435A La Paz PRESENCIA (REPORTAJES SECTION) in Spanish 2 Jul 95 p 7

[FBIS Translated Text] According to Minister of the Presidency Guillermo Justiniano, it is still premature to speak of the net cost of the decentralization process. He says, however, that if the existing guidelines with respect to the transfer of funds are followed, the national economy will not experience any instability.

"In dealing with the economic aspect of decentralization," Justiniano said, "we are proceeding on the assumption that new funds are not going to be transferred to any significant extent but will be reordered so that they can be managed by the prefectures. We therefore do not believe that the law—after it is approved—will impact the General Treasury of the Nation."

Objectives

In Justiniano's opinion, the basic objectives of the decentralization process are as follows:

a. To improve the efficiency of the Executive Branch at the departmental level.

"In the past century," Justiniano said, "the prefects were very powerful and solved many problems. As time passed, the economic function was separated from the political function and the prefects' responsibilities changed. With the creation of the Development Corpo-

rations during the Banzer regime, the prefects became subordinate—if that is the proper term—to the chairman of the Development Board by virtue of their membership on the board. The entire economic management function was entrusted to the Development Corporations; the prefects retained only the political function. The Popular Participation Law is intended to enhance the prefects' role and combine the political function with the financial function."

b. To improve the efficiency of the various services provided to the citizens by making it possible for many transactions that are currently finalized in La Paz to be concluded instead in the departmental capitals. "Transactions that involve juristic persons, for example," Justiniano said. c. To improve control in the public services, particularly in the health care and educational services, "because under this law the departmental prefectures would manage the funds used to pay teachers and doctors," Justiniano explained.

d. To achieve the greatest measure of coordination between the municipalities in each department and the prefectures so that they can undertake projects jointly.

Popular Participation and Decentralization

"A fundamental change has taken place," Justiniano said. "Bolivia is currently divided into two governments: the national and municipal governments. What is lacking at the present moment is an intermediate link at the departmental level."

"The Popular Participation Law divides the nation territorially into 311 municipalities. The interrelationship between the central government and the municipalities, however, requires an intermediate stage, and the prefectures would serve that purpose. We therefore believe that the Departmental Council must consist of a representative from each province—who shall be elected by the members of the municipal councils of that province—thereby establishing the aforementioned link between the new municipal reality and the prefectures."

"An effort to find a different method could result in a conflict among municipalities, which now possess a very clear-cut autonomy accompanied by funding."

Departmental Funds

Justiniano explained that each department will have access to the following funds, even before the process is initiated:

a. Funds derived from royalties paid by the mining, hydrocarbons, and forest sectors.

b. The Departmental Compensation Fund created by the Popular Participation Law, which provides that all

departments not receiving royalties shall receive an annual subsidy from the national government in the approximate amount of \$18 million.

c. By virtue of a commitment made in February of this year, the government will transfer funds for public investment—equivalent to 0.75 percent of the GDP—which amounts to approximately \$45 or \$46 million.

d. Lastly, all payments for public employees will be transferred to the prefectures.

But what about equity with respect to the amounts involved? Justiniano indicated that although these sums will depend on the royalties received by each department for what it produces, the regional instrument for compensating the disparity is the system established by the Popular Participation Law, whereby a certain sum—proportionate to the population—will be transferred to the municipalities in accordance with the concept of coparticipation in the sums collected from various taxes (see paragraph "b" above).

"This Is as Far as We Can Go"

According to Justiniano, neither the TGN [General Treasury of the Nation] nor the nation's financial system are in a condition to transfer any other revenues to the departments.

"The intention of the government," he explained, "is not to increase the amount of the transfers but rather to guarantee a minimum of 0.75 percent of the GDP for distribution among all the departments so that they can have public funds to invest in their own development." He indicated, however, that certain "instruments" can be employed to further equalize the allocation of funds.

The National Funds

These are the Regional Development Fund, the Social Investment Fund, the Rural Development Fund, and the Housing Fund.

"Until our administration took office," Justiniano declared, "the Regional Development Fund had been working with only six municipalities; it is currently working with a total of 46. Our concept—which is reflected in the directives given to the Social Investment Fund—is that funds will be channeled principally to depressed areas, on the basis of the geographical distribution of poverty."

He said that these funds will be used to alleviate conditions in the poverty areas of the various departments, inasmuch as some departments that are relatively well off contain depressed microregions.

Cooperation Organizations

"We are convinced," he stated, "that as soon as the Popular Participation Law is approved we can count on foreign aid, given the fact that during the previous administration the decentralization plan received aid from countries such as Germany through the GTZ [Technical Cooperation Organization] and also that most of the international organizations have offered funds contingent on approval of the Popular Participation Law. It is important, however, to point out that most of the cooperating countries are waiting for that law to be approved. If it is approved, we shall have access to funds that will make it possible to give aid to the prefectures." Justiniano added, however, that these funds will not be in the form of credit.

New Tax Reform Regulations Promulgated

95SM0435C La Paz HOY in Spanish 5 Jul 95 pp 8-9

[Unattributed article: "President Decrees Regulations for Seven Taxes"]

[FBIS Translated Text] The President of the Republic has promulgated Supreme Decree No. 24049, which embodies the long awaited regulatory decrees pertaining to seven different taxes. The regulations were implemented as of 1 July, according to government sources.

Law 1606—the Tax Reform Law—is fully in effect as of this week. The tax reform regulations in question pertain to the Value-Added Tax (VAT); the Complementary System for the VAT (RC-VAT); the Tax on Profits (IU); the Transactions Tax (IT); and the Tax on Specific Consumer Goods (ICE).

Also promulgated were the Municipal Tax on the Transfer of Real Property and Motor Vehicles, and the Special Tax on Hydrocarbons and Products Derived From Hydrocarbons. Both taxes will be levied by the municipal governments.

These regulatory decrees were developed "by consensus" over a period of six months in conjunction with important private sectors of the nation, as for example the Confederation of Bolivian Private Businessmen (CEPB), the Bolivian Banking Association (Asoban), and others.

The technical team of the government worked out the details of the seven taxes, with the result that Law 1606 was approved by Congress late last year.

Of the seven taxes, the Transactions Tax for independent professionals and occupations was the one that generated the most controversy.

Following are the details of each of these regulated taxes:

1. VAT (Value-Added Tax)

On what is it levied? It is a completely generalized tax: it is levied on the habitual sale of personal property and services (it does not apply to the sale of real property but does apply to construction costs). It also applies to lease contracts.

It is levied on imports, at the uniform rate of 13 percent.

On what is it not levied? On exports.

Who pays it? Individuals or collective entities—whether public or private—that engage in economic activities.

When is it paid? Monthly, by the 15th of the month following the declaration.

What is the rate of the VAT? 13 percent, using the normal process of debits for sales and credits for purchases (as from 1 January 1995).

Observations: IVA taxpayers must issue invoices for transactions of 5 bolivianos or more and register them in the VAT Purchases and Sales Book of Account.

The VAT does not apply to bank interest, the purchase and sale of stocks and bonds, or assets destined for the reorganization or creation of business enterprises.

2. RC-VAT (Complementary System for the VAT)

On what is it levied? Agents of retention: wages and salaries of employees; payments to physical persons and undivided estates that are not supported by invoices; fees and honorariums; and dividends. Direct taxpayers: fees and honorariums, dividends, royalties, antichretic mortgage contracts, concessions, and personal income in general. Payees who are foreign nationals: remittances of money from abroad.

Who pays it? Only physical persons and undivided estates (but not companies), on the following types of income: salaries of partners and honorariums of directors and trustees; salaries in relation to employment(*); fees; rent(*); interest(*); and any other type of habitual income(*).

(Footnote *) (Except when subject to the Tax on Profits.)

When is it paid? Monthly, by the 15th of the month following the declaration, in the case of agents of retention and payees who are foreign nationals; and quarterly, by the 20th of the following month, in the case of direct taxpayers.

How much is paid? A uniform tax of 13 percent, with the possibility of regarding as already paid the 13 percent on all consumer goods that are supported by valid invoices, that is to say, the equivalent of the

corresponding VAT rate applied to the sum of two national minimum wages.

Observations: Self-employed professionals must pay the VAT and the IT [Transactions Tax] monthly.

3. ICE (Tax on Specific Consumer Goods)

On what is it levied? It is applied to the manufacture and sale or importation of products such as alcoholic beverages in general, vehicles, soft drinks, tobacco products, perfumes, jewelry, domestic electrical appliances, and electronic devices.

Who pays it? Importers and manufacturers, for their own account or for third parties; persons or companies who are associated financially with the above or who market and/or distribute the aforesaid products wholesale.

When is it paid? Monthly, by the 10th of the month following the declaration. The due date for sellers of electricity is the 15th of the month following the corresponding fiscal period.

What is the rate? On cigarettes and cigars, 50 percent; motor vehicles, from 10 to 18 percent; soft drinks, 0.15 bolivianos per liter; alcoholic beverages including beer, 1.20 bolivianos per liter; chicha made from corn, 0.30 bolivianos per liter.

Observations: Some rates previously based on the prices of these products, and other rates, are changed to rates per unit of measure.

- Passenger motor vehicles and heavy trucks, 10 percent.
- Goods for industrial consumption, and goods not produced by hydraulic or gas power sources or external power sources, are exempt.
- These rates will be updated annually on a dollar basis.
- This is a municipal tax.

4. IPBIVA (Tax on the Ownership of Real Property and Vehicles)

I. Tax on Real Property

On what is it levied? Real property located in Bolivia.

Who pays it? Juristic and physical persons and undivided estates (including co-owners of collective real property).

Who does not pay it? The Central Government, et cetera (except for public enterprises; associations; foundations; native communities; diplomatic missions; and heroes of the Chaco Wars).

How much is paid? Tax base: fiscal appraisal (self-valuation in the absence of appraisals). Scale: from 0 to 200,000 bolivianos, at 0.35 percent; from 600,000 [as published] bolivianos and up, 3,700 bolivianos plus 1.5 percent on any amount over 600,000 bolivianos.

II. Tax on ownership of motor vehicles.

What is it levied on? Motor vehicles of all types.

Who pays it? Juristic and physical persons and undivided estates.

Who does not pay it? The Central Government (except for public enterprises and diplomatic missions).

How much is paid? Tax base: assets established by the PE [expansion not given]. Scale: Up to 24,606 bolivianos, 1.5 percent; from 295,269 [as published] bolivianos, 10,949 bolivianos plus 5 percent on any amount over 295,269 bolivianos.

Observations: This tax is the exclusive province of the municipal governments.

5. IEHD (Special Tax on Hydrocarbons and Products Derived From Hydrocarbons)

On what is it levied? On the sale, in the domestic market, of hydrocarbons and products derived from hydrocarbons that are produced domestically or imported.

Who pays it? Physical and juristic persons who sell, on the domestic market, hydrocarbons or products derived from hydrocarbons, whether produced domestically or imported.

When is it paid? Within 10 working days following the date of the consummation of the transaction generating the tax.

What is the rate of the IEHD? 3 percent on the tax base, which is determined according to the actual amount paid in cash and/or in kind for the purpose of the transfer or other purpose that has been determined.

Every product derived from hydrocarbons is taxed at a maximum rate of 1.50 bolivianos per liter, in accordance with the regulations. This rate is updated annually on a dollar basis.

Observations: The tax will be paid on the basis of sworn declarations made on forms designed and approved uniformly by the tax collection entities. The product of this tax will go entirely to the TGN [General Treasury of the Nation]. The tax shall take effect on the first day of the month following the publication of the regulations in the GACETA OFICIAL.

6. IU (Tax on Profits)

On what is it levied and who pays it? It is levied on the annual profits of all public and private enterprises—whether domestic or foreign and whatever their legal form, including unipersonal enterprises—at a uniform rate of 25 percent. It is levied at a rate of 25 percent on annual net profits (which are assumed to be 50 percent of income) derived from the exercise of the liberal professions and occupations, which results in a rate of 12.5 percent on income. The tax is levied on profits remitted to foreign countries at a rate of 12.5 percent. Profits paid to local payees are not taxed. Other income remitted to foreign countries (royalties, interest, technical assistance, et cetera) is taxed at a rate of 12.5 percent. Interest paid to international organizations is excepted.

What is the rate of the IU? 25 percent on the annual net profits.

Observations: The tax on profits is considered to be payment on the transactions tax account (3 percent of income), so that the higher of the two taxes is the one that is paid.

The losses from one transaction can be compensated by future profits, without any time limit. Such losses will be updated on a dollar basis.

7. IT (Transactions Tax)

On what is it levied? On physical and juristic persons engaged in the retail or wholesale trade; industry; professions and occupations; bank transactions (interest, commissions, et cetera); income from rentals; and all other activity, whether remunerative or not. It also applies to the gratuitous or onerous transfer of documents of ownership of personal and real property or royalties.

On what is it not levied? On the value of assets of companies that are reorganizing or being formed; the purchase and sale of stocks and bonds; tax refunds to exporters; and amounts corresponding to the ICE.

Who pays it? All physical and juristic persons who engage in the aforementioned activities.

When is it paid? It will be paid in full monthly, during the 15 days following the end of the taxable month.

What is the rate of the IT? 3 percent, without the mechanism of debits and credits such as used for the VAT.

Observations: This tax is compensated by the tax on profits, so that only the greater of the two taxes is the one paid.

For the purposes of calculating the IT on the sale of minerals and metals in the domestic market, the tax base will be the gross income, defined as the value of the refined content less the expenses of smelting, refining, marketing, and sale as determined at the time of the final settlement or invoicing of the sales.

Brazil

Article Views Participation in Williamsburg Summit

PY3107180295 Sao Paulo AGENCIA ESTADO
in Portuguese 1822 GMT 30 Jul 95

[By correspondent Paulo Sotero]

[FBIS Translated Text] Washington, 30 Jul (AE) — The following episode took place two years ago: In vain, Brazilian diplomacy attempted to warn Washington about the inconvenience of its initiative. Brazil was experiencing one of the most delicate situations of the Itamar Franco administration. Rumors about "Fujimorization" prevailed in the atmosphere. The last thing Brazil needed was military exercises near its borders. But the U.S. general on duty at the Panama Canal decided to ignore the advice given by Itamaraty, and no one from the U.S. State Department seemed willing to remove him from his post, allowing him instead to continue with a series of smaller military exercises which U.S. forces had begun a few months earlier in several south American countries bordering Brazil. The consequence was foreseeable. Some officers and many politicians in Brasilia made angry speeches saying that Brazil was being surrounded. The newspapers described it as the "August crisis." Although it was not the most serious crisis in the course of the troubled relations between Brazil and the United States over the past two decades, it certainly was one of the most deplorable.

Such episodes will hardly be repeated. This week U.S. Defense Secretary William Perry met with his 33 counterparts from the hemisphere in the historical city of Williamsburg, Virginia, three hours from Washington, to make efforts at securing cooperation among the Armed Forces of the region within the framework of the new political situation of the Americas, which is democratic and free from Cold War distortions. At the end of a day and a half of talks, the chief of the Pentagon summarized the six "Principles of Williamsburg," by which the defense ministers promised to report on their decisions.

"First, we acknowledge that mutual security is based on the preservation of democracy," said Perry, stressing the main subject of the talks. The defense ministers acknowledged that "military security forces play a critical role in the support and defense of the legitimate

interests of the sovereign and democratic states of the region." Just as important, they reasserted that the Armed Forces of the continent need to be subordinated to a democratic authority, that is, to civilian power, within the framework of the national constitutions. Human rights must also be respected. The ministers recommended opening discussions on defense subjects, and promised to seek negotiated solutions for border disputes and to promote greater cooperation to meet the security objectives of the region, including drug enforcement.

Among the measures to strengthen mutual trust, the defense ministers meeting in Washington announced that from now on they will inform the 33 countries of the region of any military exercises they plan to carry out. "The meeting was not to discuss things, but it was a positive and encouraging event, especially because of its emphasis on democracy," said Brazilian Strategic Affairs Secretary Ronaldo Sardenberg, who was member of the Brazilian delegation. "A few years ago, a meeting like this one could not have taken place."

Within the framework of an obvious exercise of U.S. leadership on the continent, the meeting in practice began an exercise of redefining American priorities in the region, which lack good historical parameters. In general, it is the first time such a meeting has taken place within a democratic framework. As expected, the meeting did not produce any news. However, for anyone who remembers the association of Washington with the many dictatorships that, as of the mid-1960's, devastated Latin America, the meeting was an event filled with symbolism.

Brazil, which a few months ago coldly received the invitation to the meeting, ended by providing the high point of the meeting. By coincidence, the efforts that Itamaraty had been carrying out in past weeks to help Peru and Ecuador reach an agreement on a demilitarized zone in their common area of conflict had concluded at the Brazilian Embassy in Lima on 25 July. When U.S. Defense Secretary William Perry learned this news, he passed the microphone to Sebastiao do Rego Barros, Brazilian Foreign Ministry secretary general, who officially announced the news during the closing session of the meeting. "Brazil could not be absent from the meeting, and the participation by our delegation was outstanding," do Rego Barros said afterward.

The Brazilian delegation was headed by the General Benedito Bezerra Leonel, Armed Forces chief of staff, who left his uniform in the hotel and attended the meeting wearing civilian clothes. Gen. Leonel gave one of the speeches for the Brazilian delegation. He spoke about the challenges of professionalization that

the Armed Forces will face in the technologically oriented world of the next century, and he stressed the importance of the integration of soldiers with society, in addition to strict military training.

Sardenberg said that President Fernando Henrique Cardoso's decision to decorate the two Brazilian officers who were held hostage in Bosnia with civilian medals — the Rio Branco order — illustrates "society's acknowledgement of the positive role of the Armed Forces in democracy."

The Brazilian representatives maintained that cooperation must not be strictly limited to the field of military security, but cooperation must also be sought within a framework of trade integration and a process involving economic security. They also reported on the efforts made by Brazil to strengthen trust with Argentina and on the Brazilian Army's experience deactivating mines in Suriname and Central America. This is know-how that will be especially useful in Angola, a country to which Brazil will send more than 1,000 men in the next few weeks, as part of a UN peace mission. Two decades of civilian war have left at least one million mines disseminated throughout Angola.

The Cuban issue was not mentioned. "The purpose of this conference was not to engage in a confrontation about security issues, but to discuss cooperation," Perry said, referring to the subject that will put hemispheric relations to the test by the turn of the century. The U.S. determination to prevent the well-known disagreements between Latin America and the United States over Cuba from spoiling the meeting was seen in the map of the region that gave evidence of and illustrated the file of documents prepared by the Pentagon. Fidel Castro's island had simply disappeared.

Argentina offered to host the next meeting, on a date yet to be established.

Justice Minister Mediates for Cabinet Consensus

PY3107161095 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 25 Jul 95 p A4

[Article by Ribamar Oliveira]

[FBIS Translated Text] Brasilia — Justice Minister Nelson Jobim is acting as mediator in a dispute over the government fiscal reform proposal which is going on between Finance Minister Pedro Malan and Planning Minister Jose Serra. Malan and Serra were not reaching agreement, so Jobim met with a representative of each minister "to discuss the points on which they agree and the points on which they disagree," seeking to present a summary of the situation to President Fernando

Henrique Cardoso. The justice minister will act as final rapporteur for the governmental proposal.

On 24 July, Minister Jobim questioned Federal Revenue Secretary Everardo Maciel (representing Malan), and Serra's representative Fernando Resende, who is the executive secretary of the Applied Economic Research Institute (Ipea). Jobim filed the resulting data onto a microcomputer.

One of Jobim's advisers said: "He identified what unites and what separates the two ministers. He realized that the biggest problems result from a lack of knowledge of the other party's proposals." Maciel did not deny that there are disagreements, but tried to minimize them. After the meeting, he said: "There are no disagreements on principles, only small operational discrepancies."

The finance minister wants, for example, the proposed government consumer tax to emerge from a blend of the Goods and Services Movement Tax (ICMS), the Industrial Products Tax (IPI), and the Service Tax (ISS). The Planning Ministry believes the government should not open an addition area of friction with the counties over the ISS and thinks the new tax should at first be a blend of the ICMS and the IPI.

The Finance Ministry also wants to include in the Constitution a provision forbidding the granting of fiscal incentives by state administrations. Defending the Finance Ministry's proposal, Maciel said: "The problem would not be to control the long lines that will be formed, but how to restrict the amount of fiscal incentives to be granted." The Planning Ministry prefers to ask Congress to approve a complementary law establishing stricter standards for collecting the ICMS, thus preventing state administrations from granting tax exemptions.

The meeting with Maciel and Resende on 24 July was the third to be organized by Jobim. To get an idea of congressional support for such proposals, the justice minister talked on 22 and 23 July with Deputy Antonio Kandir (PSDB - SP) [Brazilian Social Democracy Party - Sao Paulo], president of the Fiscal Reform Subcommittee at the Chamber of Deputies. He also met with lawyer Ari Oswaldo Mattos Filho who prepared a fiscal reform proposal during the Collor administration. After talking to Maciel and Resende, Jobim met Civilian Household Chief Clovis Carvalho before attending a meeting with President Cardoso, Minister Malan, and Minister Serra.

Accord Nears on Banespa Privatization

Includes Guarantees

95SM0437A Sao Paulo GAZETA MERCANTIL
in Portuguese 17 Jul 95 pp A-1, B-3

[Article by Sao Paulo correspondent Celso Pinto: "Accord Worked Out for Banespa"]

[FBIS Translated Text] Already at least one private financial institution is working out a strategy with a group of firms to participate in purchasing stock in Banespa [Sao Paulo State Bank] once the arrangement has been formalized.

The Central Bank (BC) and the Sao Paulo State government no longer have substantive disagreements regarding a solution for the Banespa case. It is hoped that the protocol of the agreement will be announced before the end of this month. It will be sent to the Sao Paulo Legislative Assembly for approval, regarding both the offer of secured guarantees by the State of Sao Paulo and the obtaining of consent for the change in share control.

The Sao Paulo government would immediately sell 16 percent of the common stock it holds (keeping a 50 percent-plus-one share of voting stock) and would sign a commitment to sell an additional 20 percent within 12 months, at which time it would lose its controlling interest in Banespa. Cabesp, the pension fund established for Banespa employees, would become an independent private entity and increase its share of the voting stock from 16 percent to 20 percent-plus-one share. This way, an alliance between the paulista government and bank employees could ensure control of a majority of the stock, even after the government reduces its holdings to 30 percent.

The BC will probably loan 6 billion reais [R] to the Sao Paulo government so it can pay off half of the R12 billion it owes Banespa. The paulista government would have 20 to 25 years in which to pay off this loan—this is the point yet to be settled—which would mean monthly payments of from R30 to R40 million. As collateral, the BC would retain the portion of funds due Sao Paulo from the States' Participation Fund. The cost of the loan will probably be linked to the cost of BC's foreign indebtedness.

The other R6 billion that the State of Sao Paulo owes Banespa would be paid off in two ways. The state would assume responsibility for the R1.6 billion that represents the reserves for Banespa's social security expenditures. The state may be able to raise R500 million of the rest by selling the stipulated 36 percent of its common stock. The other R4 billion would be paid off in installments, secured by real assets—especially real estate held by

state-owned companies and stock in those companies. In other words, Sao Paulo's debt to Banespa would eventually shrink to about R4 billion and would be secured by solid guarantees.

The agreement entails some complicated legal engineering in order to try to prevent the bank from getting back into a situation where it can be manipulated politically by the State of Sao Paulo, or into circumstances under which the administration pursues its own interests or those of the employees in detriment to the potential future private partner.

The first guarantee lies in the method of selecting the executive leadership. Three classes of stock would be created in addition to the present common and preferred stock. The future Class A stock would be sold to the private sector and would entitle the shareholders to four positions on the Administrative Council. The Class B stock would be Cabesp's stock and would entitle it to two positions. The Class C stock, held by the paulista government, would entitle it to four positions. In the first stage, while the paulista government still holds 50 percent-plus-one share of voting stock, it would be entitled to an extra seat on the Administrative Council because it holds the controlling interest.

The executive directors would be appointed by the Administrative Council, but with a special condition: the candidates would have to have won from 70 to 80 percent of the votes of the council. In other words, appointing the directors would require a consensus among groups of shareholders.

Neither the State of Sao Paulo by itself or in alliance with Cabesp could impose its choice of directors on the private sector. The same is true in the case of an alliance between the private sector and Cabesp that might select directors whom the state does not want. The only possibility for imposing a particular solution would be via an alliance between the paulista government and the private sector—in that event, there would be no way for Cabesp to veto it.

The obvious risk in this formula is that there could be an impasse among the shareholders that would complicate life for the bank. This risk, however, is present in any publicly held company where control is scattered among several important shareholders—the most recent example of such a conflict being the National Iron and Steel Company.

To change this rule for appointing executive directors, or to make other vital decisions, would require an absolute consensus among the owners of the three classes of stock.

The second way of attempting to insure impartiality in the behavior of the bank's directors will be the inclusion in the bylaws of several pre-conditions that must be met by any candidate for a directorship of Banespa. The idea is to create a statutory design to ensure that the directors will be professionals.

The third method conceived for tightening the controls over Banespa is to give the holders of common stock (the current common and preferred shares) the right to elect the majority of Banespa's Audit Committee. Furthermore, these shareholders would be entitled to hold a general meeting to appoint the auditor of the bank's accounts. Legally, it would be difficult to force the Administrative Council to accept this auditor, since the Corporation Law guarantees the council the right to nominate whomever it wants. At any rate, the council would suffer the moral onus of having ruled against its shareholders.

The Class C shares held by the *paulista* government will entitle the state to use Banespa as a channel for implementing public policy. The condition is that the funds for these policies must come entirely from the coffers of the Sao Paulo government.

Will this be enough to attract private investors to Banespa? Those responsible for working out the arrangement argue that, of course, the ideal procedure would be privatization, pure and simple. Since the *paulista* government believes it would be unable to win its legislature's approval of a solution of this type, the alternative was to find ways to create at least a minimum guarantee of professionalism in Banespa's future.

Even if the protocol is announced before the end of this month, as expected, it would be difficult to set a date for the conclusion of the operation. The state's Legislative Assembly has sovereign authority to examine the agreement for as long as it wants to. After approved, the phases in the bidding process for the sale of Banespa shares by the State of Sao Paulo must be completed. Obviously, the more time the entire process takes, the worse the bank's condition will get.

At any rate, it is hoped that as soon as the agreement is launched, the process of cutting Banespa's expenses and disposing of its assets will begin. Ultimately Banespa will be a substantially smaller bank than it is today: about R8 billion of its assets would have vanished (assets now consisting of debts owed by the Sao Paulo government), and there should be a corresponding reduction in its liabilities and in the size of the bank's operations structure.

Banerj Problem Unresolved

95SM0437B Sao Paulo GAZETA MERCANTIL
in Portuguese 17 Jul 95 p B-3

[Article by Rio correspondent Cristina Borges: "Banerj: Still No Agreement"]

[FBIS Translated Text] No, the Central Bank (BC) and the government of the State of Rio de Janeiro did not work out a solution for Banerj [Rio de Janeiro State Bank] this time, either. The bank has been under conservatorship since January. BC President Gustavo Loyola and Governor Marcello Alencar met again on Friday without reaching an agreement. "The ideas are still tentative and fragile. They need to be strengthened," Loyola said. He revealed, however, that he is hopeful of reaching a decision, including a solution for Banespa [Sao paulo State Bank], by the end of this year.

Privatization of the two state banks is one of the possibilities being studied, the BC president admitted. The governor of Rio de Janeiro appeared to favor this measure as an alternative to liquidation of Banerj, according to the Guanabara Palace Press Office, reporter Marco Antonio Monteiro said.

Negotiations between the BC, Banerj, and Banespa, Loyola said, are focusing on the shareholding structure of the banks, the kind of institution the parties want, and the means of refinancing the obligations that both have toward the monetary authority. Among the solutions being studied, he added, is international financing of the banks.

The BC president met in Rio all Friday afternoon with Minister Pedro Malan at the Finance Ministry Building. Loyola would only say that they discussed the fiscal situation, including the fiscal and tax reforms, and the internal debt.

Relations Between Rural Bloc, Farmers Viewed

95SM0441A Sao Paulo VEJA in Portuguese
17 May 95 pp 30-37

[Article: "The Deadbeat Gang"]

[FBIS Translated Text] *Who are they and how do they live, those ranchers who make a fortune with public money, do not pay what they owe, and have the support of the ruralist deputies?*

Domingos Gomes de Lima, 54, lives with his wife and two minor children in a chalet at the Tennis Academy, a Brasilia hotel frequented by businessmen, ministers, and other authorities in the first echelon of government. He pays 1,800 reals per month just for a place to sleep. "With that money, I could rent an apartment, but then

I would not have the use of the pool, the tennis courts, and the daily cleaning," he explains. Lima drives this year's Santana Quantum, and his children attend private schools. He would be an upper middle-class Brazilian were it not for one thing: a bankrupt farmer, he appears on the Bank of Brazil's list of deadbeats. His debt is astonishing. He owes 67.4 million reais. He has been one of the bank's nonpayers for over four years, but that has done nothing to upset his good lifestyle.

Gomes de Lima is an exemplary representative of a very powerful but little-known club in the rural world. Its members are the big ranchers, rural millionaires accustomed to borrowing money cheap from the Bank of Brazil's rural credit department and not paying what they owe. In absolute numbers, they are not many—only 18,000 out of a universe of 3.5 million Brazilian farmers. But they are impressive when one considers the size of their ranches, their comfortable lifestyle, and, chiefly, the size of their outstanding debts to the bank. To avoid paying their debts, they often rely on the tremendous pressure exerted by their deputies and senators in Brasilia. As everyone knows, the rural bloc is the best organized, most powerful, and most demanding bloc in the National Congress. It is a bloc that torments the life of successive administrations by boycotting voting sessions and blocking the agenda in order to obtain money for the rural area, cheap loans, or even debt forgiveness. It acts like many other organized groups in Congress in trying to defend the interests of its rural voters. Its activity is important to millions of small and medium-sized farmers, but it also serves to protect the deadbeat club, which is unbeatable when it comes to benefiting from the public treasury.

Last week the rural bloc demonstrated its strength once again. Its 140 congressmen threatened to boycott the vote on the constitutional amendments if President Fernando Henrique Cardoso (FHC) did not accept Congress' decision vetoing collection of the reference interest rate (TR) on farm loans. That is blackmail and then some. If it does not collect the TR, which is an index used to correct for inflation in connection with those loans, the Bank of Brazil stands to lose an estimated \$1 billion to \$2 billion. But without the bloc's votes, the administration will find it hard to get any bill through Congress. Result: against FHC's will, Senate President Jose Sarney promulgated the removal of the TR. The administration wanted to veto Congress' decision on the basis of a report by Senator Bernardo Cabral, whose investigation turned up four erased votes on the day of the vote. Sarney, an old friend of the ruralists, ignored Cabral's report and confirmed the voting results.

A list of the biggest defaulting debtors in the Bank of Brazil's rural credit department was obtained by Deputy Jose Fritsch (PT [Workers Party], Santa Catarina). It shows that in raging against rural debts, rural congressmen and leaders are not always defending the millions of rural producers who vote for them—what they do defend is a tiny handful of big landowners. Of the 331,000 farmers obtaining rural loans from the Bank of Brazil during the last season, 95 percent paid their debts on time. That leaves the 18,000 deadbeats, representing five percent of the total, whose notes add up to 3.3 billion reais. And of those, 100 big profiteers are responsible for 25 percent of the total unpaid debt (see "Size of the Hole" below). "An industry based on defaulting has been created in Brazil," says the president of the Bank of Brazil, Paulo Cesar Ximenes. "Most of the debt is concentrated in the hands of half a dozen big landowners."

Cheap Interest—Anyone listening to the uproar created by the rural bloc would think the government was despoiling them through exorbitant interest rates, or that domestic agriculture was being threatened. But that is not always the truth. Rural credit loans are among the cheapest sources of financing in the country. Excluding the TR, farmers pay interest of only 11 percent per year—less than the rate charged for buying one's own home and less than the rate on special checks or installment purchases (see "Cheap Money" below). "Actions by Congress, with amnesty here, forgiveness there, and extensions of payment terms for debts owed by farmers, have had two results," says Ximenes. "First, they have driven private banks out of the rural credit business. Second, there has come into being the kind of thinking that says that if a debt is big, and there are a large number of defaulters, something will happen to benefit the debtors."

Let us look once again at the case of Domingos Lima of the Brasilia Tennis Academy. His debt of 67.4 million reais is the largest rural debt in Brazil. The debt is in his name and that of three firms that he owns. It consists of old debts contracted as far back as 1987, and the Bank of Brazil has sued more than 20 times to collect the money. Lima is not paying and places all the blame on the bank. "The Bank of Brazil cannot operate like a speculator," he says. "Today they say that my debt totals 67.4 million reais. But in 1990 it was calculated at \$15 million. I agree to pay 10 million."

Lima became interested in agriculture just recently. Until 1979 he was rector of the Federal University of Rio Grande do Norte. In that year he moved to Brasilia, where he soon became manager of a branch of Serpro (Federal Data Processing Service) at the invitation of Jose Dion de Melo Teles, Serpro's president at the

time. He stayed there until 1985. Then he discovered the public trough providing cheap money in rural credit and began buying land. Lima also became involved in a major scandal. In 1986, the CPI [Congressional Investigating Committee] looking into the banking and financial system revealed that Dion de Melo Teles and the managers he had appointed at Serpro—Domingos Lima among them—were receiving favors from private banks in which they were investing Serpro money. The banks were granting loans to the managers at low interest rates and, in return, accepting Serpro's deposits.

Quick Fortune—With a boost from the private banks and the Bank of Brazil, former rector Lima became a millionaire farmer. In 1990 his assets were estimated to be worth \$50 million, including 120,000 hectares of land, 27 ranches, 7,400 head of cattle, 100 pieces of equipment, and 500 employees. Lima says that he got land in Bahia from "a friend" called Jose Raul who did not want to appear as a formal partner in the agricultural enterprises. The lawsuits brought by the Bank of Brazil forced him to get rid of a good portion of his fortune: "In April 1991 they changed management at the bank and began foreclosing on debts," Lima complains. He currently lives on two pensions he receives from the Federal University of Rio Grande do Norte—as a former rector and trustee—and on the lease income from four cattle ranches, on all of which the Bank of Brazil has a lien. His income exceeds 8,000 reais per month.

Lima does not represent the entire rural universe. But he helps one realize the size of the public trough represented by rural credit in Brazil. His case shows that adventurers with no experience in farming can open the coffers of the country's biggest government credit institution, which grants loans without the guarantees required by private banks. Among the farmers, there are those who have used the Bank of Brazil's money to fatten their fortunes. Others have invested it in production but tried to run before they could walk and then went broke. One feature common to all the defaulters is that they complain about the government but generally carry on a promiscuous relationship with it. They finance election campaigns, have a loyal bloc in Congress, and are friends with many of the big shots in the executive branch.

On 9 April, for example, when President Fernando Henrique Cardoso was trying to find a solution to the stalemate created by Congress on the issue of the TR, where was Minister of Agriculture Jose Eduardo Vieira? He was in southern Piaui—visiting the ranch owned by one of the Bank of Brazil's deadbeats. In the company of Governor Francisco Moraes—the "holy hand"—and rural deputies, Vieira was attending the start of the soybean harvest on the ranch owned by businessman Car-

los Elyseu Mardegan, owner of the Saponga Agriculture and Livestock Company. Mardegan is on the Bank of Brazil's list of defaulters: he owes 6 million reais. The minister climbed into a harvester and listened to speeches by the rural producers criticizing the government, among them Mardegan himself. "We are being treated like mangy dogs," the defaulting rancher said.

Nightclub Pianist—Mardegan's entrance into the rural world has an interesting history. Trained in business management by the Getulio Vargas Foundation and also having studied economics, he could not find a job and wound up working as a pianist in a Sao Paulo nightclub. One night he met a big rancher who introduced him to the Bank of Brazil's managers in Mato Grosso and helped him buy land in that region. With the help of rural credit, Mardegan became one of the pioneer soybean growers in Mato Grosso. Three years ago he bought two ranches in Piaui's woodland savanna. The largest of the two—28,000 hectares—belonged to Julio Campos, former governor of Mato Grosso, whom he blames for his current debt to the bank. "When I bought the ranch, he had already stopped paying what he owed," Mardegan says. His assets are estimated at 5 million reais. He says there is a plot by PT members and bankers who have infiltrated the administration to destroy agriculture. "I do not know of any country where a banker is minister of agriculture. That is like putting a fox in the henhouse," Mardegan says—only days after welcoming banker Jose Eduardo, minister and owner of Bamerindus, to his ranch.

Erico Ribeiro, 59, of Rio Grande do Sul is the largest individual ricegrower on the planet, producing 5 million bags per year. He is on the Bank of Brazil's list with a total debt of 32 million reais owed by his companies. Ribeiro has also been close to those in power. In 1992, then President Fernando Collor visited one of his ranches in Rio Grande do Sul for the symbolic start of the rice harvest. In that year, Ribeiro ran for mayor of Pelotas and was defeated. In the last election, as the PPR's [Progressive Renewal Party's] candidate for lieutenant governor, he bankrolled a good share of the slate's campaign expenses and also lent it his airplanes. His assets are enough to make you choke on your mate tea. In partnership with his sister Laura, he owns 43,000 hectares in Rio Grande do Sul, plus another 50,000 hectares in Mato Grosso in partnership with Armando Conde of the BCN [expansion not given]. For planting he leases another 40,000 hectares from other owners. In Uruguay, he has been a partner since 1991 in an agricultural firm that owns 6,500 hectares. Ribeiro also owns a packinghouse, trucking and real estate companies, and over a dozen small airplanes.

That empire billed 200 million reals last year. The rice king is not a nouveau riche given to exhibitionism, but he lives well. He and his sister Laura drive several imported cars—Audis, BMW's, and Fords—and live in comfortable houses. Ribeiro admits that he owes money to the Bank of Brazil, but claims that he has already renegotiated his debts. "I am not a deadbeat," he says repeatedly. He says he has had enough rice stored since 1992 to pay off the loan. "The government has an obligation to buy it if it wants to get paid," Ribeiro claims. The problem is that the businessman wants to sell his product at 20 reals per 50-kilogram bag—which he claims is the cost of production—while the government today can import rice from Vietnam and pay only six reals per bag. "It is all the government's fault because it should be buying our rice instead of importing it," Ribeiro raves.

Whining—That kind of whining is quite common among farmers. They say that agriculture is a risky business, and that the government has a duty to help them with subsidies, minimum prices, and low interest rates. Like every other productive activity, agriculture has been lashed by the economic craziness that has prevailed in Brazil over the past decade. So far there is no solid and trustworthy policy for the rural area. Rice producers in Rio Grande do Sul, for example, are going through a fitful time. They claim that the price of rice is less than their cost and that financing is a burden. They say they are forced to compete with producers in Mercosur [Common Market of the South], who pay less interest to borrow money. They point to rural unemployment, the general situation of defaults on loans, and the drop in production. Their protest may even be justified, but it is not an excuse for defaults by a well-off minority of farmers. Contrary to the general impression, the ranchers living on rural credit do not represent the majority in agriculture. Only one-fifth of the 82 million metric tons of cereals harvested in the last season was financed with farm credit. And the great majority of producers who did take out loans paid them back on time (see "Legion of Good Payers" below). Besides that, another 3 million farmers simply do not have access to the government's rural credit. They are the true victims of Brazil's agricultural policy, not the rural barons who are up to their necks in debt.

Sugarmill owner Geraldo Melo, former governor of Rio Grande do Norte and now a PSDB [Brazilian Social Democracy Party] senator, owes the Bank of Brazil an overdue debt of 21 million reals that was borrowed by his company, the Ceara-Mirim Valley Sugar Company. He is another one who blames the bank for his difficulties. "I entered the government a rich man and came out poor," the PSDB member swears.

In the final year of his term, Geraldo Melo built a two-kilometer-long landing strip on his ranch in the municipality of Ceara-Mirim. He claimed that it was for the use of the Natal Flying Club as part of the Ministry of Aeronautics Training Center. The idea was to bring the flying club onto that plot of land. Five years later, he still has not kept his promise to donate the landing strip to the flying club because all his property was used to secure a loan from the Bank of Brazil.

Melo owns an Aero Commander aircraft that is parked in one of the hangars belonging to the state government. He has not been flying because he is behind in paying his fees to the DAC [Civil Aeronautics Directorate]. To avoid paying his debt to the Bank of Brazil, the former governor is claiming that his sugarmill has encountered problems due to the drought in the northeast and the economic plans. "The drought of 1993 caused income to drop by \$10 million," he says. "That upset my finances." He says he is proposing a friendly settlement to pay off his debt, and he does not intend to get into litigation with the Bank of Brazil. "As a senator and a member of the PSDB bloc, I did not vote to eliminate the TR. Owing money to banks is neither immoral nor a crime."

In Court—All the debtors say their debts are much smaller than the amounts being demanded by the bank. Because of that, almost all the debts appearing on the Bank of Brazil's list of defaulters are the subject of lawsuits. So they have not been settled. The debt total is increasing because when a farmer borrows money from the Bank of Brazil, he signs a contract stipulating fines and higher interest rates if he does not pay what he owes. If the note is unpaid when due, interest is increased from 11 percent plus TR to 2.5 percent per month plus TR. Late payment also means that the bank assesses a fine amounting to 10 percent of the total value of the loan. The result is that a debt of 1 million reals will have almost doubled in value at the end of one year. A typical case is that of the Minas Gerais coffee baron, Sergio Meirelles, 63. His squabble with the bank has been going on since 1986, when he borrowed 300,000 reals in rural credit to replant a coffee plantation destroyed by frost. Today he owes 1.5 million reals, but even that is an insignificant percentage of his personal fortune, which is estimated at 20 million reals. At no time has Meirelles denied that he owes the money. What he disagrees with is the interest rates and the fines. "I do want to pay what I owe, but in such a way that it will not be bad for me," he says.

According to Bank of Brazil documents filed with the lawsuit, Meirelles took out 14 different loans totaling about \$640,000 at November 1990 money values. Meirelles delayed payment on the grounds that the crop had failed, and his debt jumped to \$850,000, according

to the papers filed with the court. Shortly thereafter, the bank agreed to forgive the loan and part of the interest if the coffee grower would pay everything off at once. Meirelles agreed, but once again failed to pay, alleging financial difficulties. The Bank of Brazil's legal department began action to foreclose and demanded that the ranches used as security by Meirelles be liquidated. The rancher acted quickly by filing suit to halt foreclosure on the grounds that he disagreed with the amount. The quarrel continues today and promises to be a long one.

Noisy Fist Banging—For the defaulting farmers, any stalemate with the government is a good opportunity to gain advantages. That is when they send their powerful bloc in Congress into action, make a lot of noise, moan and sob, and refuse to pay. If the bank goes to court, that is all the better because the case will drag on in court for a good while—who knows, maybe long enough for another round of forgiven loans. That is what we are seeing today on the issue of the TR. It is an old quarrel. In May 1994, when he signed the law creating the URV [real unit of value], President Itamar Franco vetoed a paragraph—introduced by the ruralist deputies—stating that loans contracted by farmers would be corrected according to changes in the minimum prices for their products instead of the TR. By establishing a minimum price, the government ensures the farmer that at harvest time, his product will be purchased at that price even if the market price falls below that level. Itamar vetoed the paragraph because the Bank of Brazil uses funds from agricultural savings accounts to finance the harvest. Since it uses the TR to remunerate investors in savings accounts, it must also charge the TR in collecting the money it lends out. Otherwise it ends up in the red.

The defeat of the presidential veto as promulgated by Sarney last week is just one more of the many presents received by the farmers in recent years. Established in 1965, rural credit was not adjusted for monetary correction until 1979. In those years of fat cows, many people grew rich by borrowing money intended for financing agriculture and invested it in the financial market for interest. After the Cruzado Plan, the farmers rebelled against paying monetary correction and got part of their debt canceled by then Minister of Finance Bresser Pereira. The same thing happened when the Collor Plan came along. In 1992 they were again able to roll over part of their debts on the grounds that interest rates were too high.

The economic plans that failed before the real came along helped muddy the situation in rural credit. Each plan had its own rule for monetary correction. Since then, each side has been making its own calculations, and the matter always ends up in court. The farmers

may even be right about the harm done by the economic plans. But all Brazilians, not just the farmers, have been victims of the jolts caused by Brazilian economic policy. Many citizens who had their savings confiscated by the Collor Plan have had no choice but to go broke; but not the ranchers. They found a way. Of those on the Bank of Brazil's list of defaulters, not one is in material difficulty. Meanwhile, the ordinary citizen who fails to pay a commercial loan is immediately placed on the credit bureau's black list and can no longer cash a check at the corner bar.

Loss—Take the case of the Matsubara family in Parana. There is a debt totaling 2.238 million reais in the name of Takeo Matsubara. It has already been written off as a loss by the Bank of Brazil. In this case, "loss" means that the bank has lost all hope of being paid. The Matsubaras admit to the debt, but like all the other debtors, they are challenging the amount the bank wants. "We are going to pay it, but we need to renegotiate it, reduce it, and divide it up," says Suelo Matsubara, 55, a family member. Suelo was surprised to learn that the Bank of Brazil had classified the family's debt as a loss. "So does this mean that we do not need to pay anymore?" he asked jokingly. "But the debt amounts to only 20 percent of our assets."

The Matsubaras, who have been established in Parana for 70 years, made a fortune in agriculture. Together with another family of Japanese immigrants, the Maedas, they were the cotton kings in the northern part of the state. They owned as many as 12 ranches. Since the end of the last decade, they have stopped planting and started diversifying their business. Their land in Parana—about 10,000 hectares—is now leased out for growing sugarcane. "We no longer plant anything because nobody makes money today in farming," says Suelo, who grew rich from farming. In 1986 the family paid Volkswagen \$30 million for the Rio Cristalino Valley Ranch in Santana do Araguaia in southern Parana. It has 139,000 hectares where 40,000 head of cattle graze. The Matsubaras also own Crispy, a company producing snacks, in northern Parana. They invested \$5 million in it, and it was inaugurated last year. They have two imported car dealerships in Londrina (one selling Mazdas, and the other Kias), and they also sponsor the Matsubara soccer team, which is vying for the first division title in Parana soccer. The team costs the Matsubaras 100,000 reais per month. The family can also afford to sponsor the Formula Three race driving career of Norio Matsubara, 26, Suelo's son. With all that money, why don't the Matsubaras pay the Bank of Brazil what they owe? "We have been customers of the Bank of Brazil for four decades, and only in recent years have we stopped paying," answers

Sueo. "We know that the bank is not going to take away our property overnight."

Sueo is right. The snowballing increase in rural bad debts has reached its current level only because the Bank of Brazil has been remiss in collecting from its creditors (as published; presumably debtors intended). At 22 percent, the Bank of Brazil's default rate is 11 times higher than the average for the private banks. For three decades the bank has been a generous mother to rural defaulters. Branch managers with a swollen rural credit portfolio were treated like nabobs in the small towns in the interior. "It is clear that the bank is to blame because it was not aggressive in lending and collecting its money," the Bank of Brazil's current director of rural credit, Ricardo Conceicao, agrees. His objective is to reduce the default rate to two percent by the end of 1996. "The bank is no longer going to be a father," Conceicao promises. Seeing is believing.

There are already signs of change at the Bank of Brazil. The manager in Barreiras, Francisco Romeiro, has become an expert on defaults. His town, located 883 kilometers from Salvador, is rich in soybean production: nearly 1 million metric tons in 1994. Besides that cereal, Barreiras is also rich in deadbeat ranchers: it contributes 33 names to the Bank of Brazil's list. "Farming here is viable, whether financed or not. It is the farmers who are not used to things because they are accustomed to very high profits. Many of them made a fortune in just one or two harvests. Now that profit margins have grown tighter, they are saying that things are bad," Romeiro says.

Check Confiscated—But the ranchers are not really bad off, are they? A telephone call answered by Romeiro at the very moment that he was talking to VEJA two weeks ago helps to answer that question. It was a soybean planter who had obtained financing for his crop and, after selling it, wanted to buy a brand new car. He even handed over a check to pay for it. But he "forgot" to pay back his loan from the Bank of Brazil—after all, why pay? The crossed check wound up in the hands of the Bank of Brazil manager, who immediately confiscated it to pay the debt. On that same day, Romeiro spent the morning listening to the whining of a farmer who had sold his crop as soon as it was harvested, bought a new ranch, and also "forgot" to pay back the financing. "We will have to take that one to court to collect," he says.

Rich, a big crybaby when asking for money, and tough as nails when anyone asks for payment, Helmut Rieger from Rio Grande do Sul is a rancher in Barreiras. He owns a tomato paste factory capable of processing 10 percent of the nation's production. He supplies the factory from his 45,000 hectares of land. The whole

thing is powered by a private 10-megawatt hydroelectric plant. Last month, the ranchers in Barreiras were visited by a congressional committee headed by the Bahia secretary of agriculture. Rieger invited them to tour his properties, took them for a walk, and showed them the seedlings he had imported from the United States. He reminded them that he generated a lot of jobs and taxes. He said he was working "in the productive sector instead of speculating in the financial market." He complained about the Ministry of Finance, which had just reduced the tariff on imported tomato paste to zero. Lastly, he asked for "political intervention" to help him negotiate an overdue debt of 4.5 million reais that he owed to the Bank of Brazil.

Rieger forgot to mention a few details regarding his business. In 1993 he was accused of keeping 700 rural workers in a state of semislavery on his tomato farm. Ordered by the Regional Labor Office to introduce his employees to 20th century workers' rights, Rieger chose immediate modernization: he fired the 700 and bought a harvesting machine. Besides the above-mentioned 4.5 million reais in rural credit, he also owes 3.5 million reais to the Bank of Brazil's general credit department. In addition he has an overdue note for 6.3 million reais owed to the Bank of Northeast Brazil (BNB), now in the courts for collection, and is involved in other quarrels with creditors in the region.

Rieger explains his debts with a complicated story. He says that in 1992 he acquired the tomato firm with financing from the Bank of Brazil. Supposedly he was cheated by the equipment supplier, the Sasib Farm Equipment Company, which received the money from the bank but delivered used machinery instead of brand new equipment. "The factory has never operated at more than 50 percent of its capacity, so I was unable to pay the debts," he says. Rieger sued Sasib for a new factory. "The Bank of Brazil should have understood the situation and suspended payment to Sasib," he complains. "If the bank had not paid, I would have harvested the crop and negotiated the problem with the company." In this case, as always, the Bank of Brazil has taken the rap.

Size of the Hole

The Bank of Brazil lent 15 billion reais to 331,000 farmers. Of that number, 313,000 paid everything back on time. The deadbeats constitute five percent of the total.

Those 18,000 deadbeats owe 3.3 billion reais—enough to buy 412,500 Fiat Mille automobiles.

The biggest portion of the debt—about 2.3 billion reais—is in the hands of only 1,276 big ranchers.

The Brasilia region is the champion when it comes to debt, and it is followed by Rio Grande do Sul and Bahia. The three combined account for one-half of all the overdue debt.

One hundred big rural profiteers account for 25 percent of the bad debt. The biggest of them owes 67 million reais all on his own.

The default rate in the Bank of Brazil's rural credit department is 11 times greater than in the private banks.

Cheap Money

The TR in May was 3.2471 percent, resulting in an annual rate of 48.74 percent.

Even including the TR, money obtained through rural credit is the cheapest on the market, as can be seen here (based on the average annual interest rate charged last week): rural credit: 62 percent; real estate credit: 64 percent; installment purchases: 289 percent; special checks: 381 percent; and credit cards: 435 percent.

Works of Art in Hock

Threatened with losing money on its dealings with the rural bloc, the Bank of Brazil is trying to collect debts on other fronts. Last week two bank attorneys, accompanied by court officials, seized works of art, Persian rugs, and other property found in two apartments belonging to the family of businessman Antonio Mayrink Veiga, both of them at posh addresses in Rio de Janeiro's southern zone and offering a view of Sugarloaf. Married to Carmen Mayrink Veiga, one of the most resplendent stars in Rio de Janeiro's smart set, "Tony," as he is better known, owes the Bank of Brazil about \$4 million. That money represents loans taken out by one of his firms, SFB Systems, which used to be the Brazilian representative of Great Britain's Ferranti, a manufacturer of equipment for military vessels. The British firm went bankrupt, orders in Brazil dried up, and the Mayrink Veigas are struggling with cash problems. "There are people who have owed the bank money for 90 years, and nothing happens," "Tony" complains. "I have owed them money for 90 days, and the bank is foreclosing on me. Not only that, it calls in the press to come along. That is persecution."

Legion of Good Payers

Owing the Bank of Brazil money is not always synonymous with being a deadbeat. Nine out of every 10 of the bank's rural customers pay their debts on time. The good payers also complain about the government's policy for agriculture, and they attack the TR, but they find a way to honor their commitments and still make a profit. There are good examples of that kind even

among the ricegrowers—the ones who have done the most complaining about the interest rates charged on rural credit. According to data from the Bank of Brazil, one-third of its customers who are ricegrowers have defaulted. The others pay everything right on time.

Harold Pinto Guedes da Luz, 59, is one of them. A big rice producer and the owner of 4,000 head of cattle, Luz employs 75 people and bills 2 million reais per year. The owner of a BMW automobile, he has been a customer of the Bank of Brazil for about 20 years and claims that he has never fallen behind in his payments. He is currently up to date with payments on a loan of 400,000 reais that he took out in 1994. What is his secret for not defaulting? "I have always had my feet on the ground, and I have never fallen for the siren songs from managers at the Bank of Brazil," Luz answers. "Because of that, I have never asked for more money than I could pay back." Although he criticizes the government's agricultural policy, he is not a crybaby like the other ricegrowers. "It is not easy, but growing rice is definitely profitable," he says.

The default rate among small and medium-sized producers is low. "I have been getting financing from the Bank of Brazil for 25 years, and I always pay on time," says Pedro Dellamaggiara dos Santos, 64, who owns 170 hectares in the Londrina area in northern Parana. Santos was trained in accounting and management, but he gave up office work in 1970 to devote himself to agriculture full-time. He grows soybeans and corn and also raises pigs and a few head of cattle. In September of last year, he obtained a loan of 25,000 reais. He paid it all off at the end of April. He chose to pay off the bank rather than trade in his 1986 Voyager, as he had been planning to do before the crop came in. "It was not one of the best harvests, and prices are bad," says Santos. "So I prefer to keep a clean slate with the bank and put off trading in the car until next year."

The Deadbeats

Erico Ribeiro of Pelotas, Rio Grande do Sul. Owes 32 million reais. He is the biggest ricegrower in the world at 5 million bags per year. He owns ranches in Brazil and Uruguay, a packinghouse, several companies, and airplanes. He billed 200 million reais in 1994.

Domingos G. de Lima of Brasilia, Federal District. Owes 67 million reais. A former rector of the Federal University of Rio Grande do Norte, he was involved in the scandal at Serpro and enriched himself rapidly. In 1990 he owned assets worth \$50 million, 27 ranches, and 7,400 head of cattle.

Sueo Matsubara of Londrina, Parana. Owes 2 million reais (in the name of Takeo Matsubara, the family

patriarch). The Matsubaras own several ranches, 40,000 head of cattle, a snack factory, and two car dealerships and sponsor a soccer team and a Formula Three team.

Helmut Rieger of Barreiras, Bahia. Owes 4.5 million reals. He owns a tomato paste factory with the capacity to process 10 percent of the nation's production, ranches, and a private hydroelectric plant. He has been accused in the past of keeping slave labor on his farms.

Carlos Elyseu Mardegan of Urucui, Piaui. Owes 6.5 million reals. A former Sao Paulo nightclub pianist, he grew rich borrowing rural credit money in Mato Grosso. He owns two ranches in Piaui and an agriculture and livestock firm and has assets worth 5 million reals.

Geraldo Melo of Ceara-Mirim, Rio Grande do Norte. Owes 21 million reals. A former governor of Rio Grande do Norte and currently a PSDB senator, he built an airport on a ranch that has now been seized by the Bank of Brazil. He owns a sugarmill and a Commander twin-engine airplane.

Sergio Meirelles of Sao Goncalo, Minas Gerais. Owes 1.5 million reals. One of the biggest producers of coffee and dairy cattle in Minas Gerais, he owns eight ranches and has assets valued at 20 million reals. He produces half a million liters of milk per year.

Countries Launch Oceanic Integration Project

95SM0437D Sao Paulo GAZETA MERCANTIL
in Portuguese 17 Jul 95 p A-3

[Article by Maria Helena Tachinardi: "Oceanic Integration"]

[FBIS Translated Text] Brazil, Chile, Bolivia, and Paraguay are likely to form an international consortium to finance a plan to connect the two oceans. A document to speed up the physical and regional integration between the Pacific and Atlantic basins was signed on Friday in Cuiaba by the transportation ministers of the four countries: Odacir Klein (Brazil), Ricardo Lagos (Chile), Freddy Teodovich Ortiz (Bolivia), and Hugo Gomez (Paraguay). They promised to seek financing from international organizations.

The first technical meeting on the ocean-linking corridor is to be held in Chile within 30 days for purposes of evaluating the initiatives necessary to implement the plan. In September, the ministers will meet in Santa Cruz de la Sierra (Bolivia) to submit the regional plan to multilateral lending institutions.

According to Klein, all the possible outlets (there are at least six) for export of its products are of interest to Brazil—the Pacific access highway passing through Mato Grosso State, for example, or even the proposed

route leading through Acre to the ports of Peru. "There must be no more interruptions in this process, and it is in the interest of the Fernando Henrique Cardoso administration to explore all the potential routes," he said. The distance Brazilian products must travel to reach the Asian market drops from 12,200 miles to 8,500 miles once a ship no longer needs to depart Atlantic ports and make the trip to a Pacific port.

Chile is interested in gaining access to the Atlantic in order to export to the European Union, its second largest trading partner. "If Latin America wants to play a significant role in world trade, it needs outlets from both the Atlantic and Pacific oceans," Ricardo Lagos said.

According to the ministers, a link would have to be established between the continent's two networks of surface transportation, which are detached from each other. Starting in Cuiaba, the geographic center of South America, one must travel 2,100 kilometers to reach the Pacific ports of northern Chile. Brazil would have to pave an 80-kilometer stretch from the city of Caceres (Mato Grosso) to the border with Bolivia and set up customs posts there. Bolivia needs to pave two segments of road: 400 kilometers from the border with Brazil to Santa Cruz, and another 190 kilometers from La Paz to its border with Chile.

Chile

U.S. Reportedly Decided on Earlier Talks Toward Fast Track

PY3107124495 Santiago EL MERCURIO in Spanish
28 Jul 95 p C5

[Article by special correspondent Jose Errazuriz L.]

[FBIS Translated Excerpt] Lima — [passage omitted] Chilean Foreign Minister Jose Miguel Insulza has said that during a meeting yesterday between U.S. Secretary of the Interior Bruce Babbitt and President Eduardo Frei, matters related to the agreements reached at the Miami summit were discussed. The main result is a willingness by all countries of the hemisphere to create a free trade zone by 2005.

Concerning NAFTA, he said Babbitt confirmed an unofficial international news agency report that the U.S. Administration will begin talks on the fast track earlier, in August. He said: "The talks were scheduled for September, so this is good news." [passage omitted]

Insulza confirmed that a U.S. delegation spoke with President Frei on civilian-military relations, but said the issue has nothing to do with NAFTA negotiations. He

said: "The link has never been made because it is of no concern whatsoever." [passage omitted]

The foreign minister said contacts with U.S. delegates during visits abroad have become customary, thus revealing the good level of bilateral relations.

He said that when he attended the inauguration of Colombian President Ernesto Samper, he and Presidency Secretary General Genaro Arriagada met with the same delegation. [passage omitted]

Frei: 'Country Is in Order and Calm'

PY3107160195 Madrid EFE in Spanish
2257 GMT 29 Jul 95

[FBIS Translated Text] Santiago, 29 Jul (EFE) — Chilean President Eduardo Frei said today that "the country is in order and calm, and we are going to keep working as we have been doing so far," referring to the civilian-military tension experienced over the past few days.

In a brief meeting with reporters upon arriving in Santiago after attending the ceremonies marking the inauguration of Peruvian President Alberto Fujimori in the Peruvian capital, Frei said that, as he had said on leaving the country, "the house is in order."

The president said that none of the presidents who were present in Lima had expressed concern over the tense political situation the country is experiencing after a judicial ruling that sentenced two Army officers to imprisonment.

"I think it was an extraordinarily important and positive visit and we have found a great willingness on the part of President Fujimori to continue working and strengthening bilateral relations between Chile and Peru," Frei said upon making a brief assessment of his visit.

The Chilean president traveled to Lima aboard a Navy plane, in the company of his wife, Martita Larraechea, and a small delegation headed by Foreign Minister Jose Miguel Insulza.

Government Spokesman Rules Out Possible Coup

PY3107160395 Madrid EFE in Spanish
0020 GMT 30 Jul 95

[FBIS Translated Text] Santiago, 29 Jul (EFE) — Chilean government spokesman Jose Joaquin Brunner today ruled out the possibility of a coup d'etat in Chile as a consequence of the tension that has emerged in civilian-military relations.

Speaking during the nationwide meeting of the Party for Democracy (PPD), a member of the government coalition, that is being held in Concepcion, Brunner said

that "it is out of question" to think of such a possibility, although he admitted the existence of "turmoil" with the Army.

During his speech, PPD President Jorge Schaulsohn accused the opposition of the right of trying to "corner" the government coalition to force it into a discussion of an amnesty law.

According to Schaulsohn, the right is trying to confuse public opinion by comparing the idea of reconciliation with impunity in the case of human rights violations.

The PPD president attributed to the right the responsibility for having set up a "noisy political operation in the military world," the objective of which would be to impose an "amnesty" law.

Schaulsohn also lamented the "paralysis" that is observed within the government coalition on these matters. Furthermore, he stressed the need to continue discussing the pending "transition" matters, but he did not consider the opposition proposal on the human rights issue.

Army Mobilization Director on Recruitment

95SM0429A Santiago EL MERCURIO in Spanish
30 Jun 95 p C-4

[FBIS Translated Text] The current structure of the Compulsory Military Service system will be kept as it is, Major General Javier Salazar, general director of national mobilization, has announced.

The high-ranking Army official made the statement at the graduation ceremony for 11 new recruiting officers held at the institution's headquarters located on Calle Vergara and Sazie in Santiago.

The graduation ceremony was attended by Brigadier General Raul Moyano, director of the Army's Department of Rationalization, Brigadier General Hugo Jaque, deputy chief of staff of national defense, and special guests and relatives of the graduates.

Salazar explained that the institution is specifically concerned with improving management of the Mobilization Directorate, which it plans to do through the application of new techniques and intensive use of so-called "mobile cantons" in the Metropolitan and Fifth Regions.

"The 11 new recruiting officers—a seemingly small figure—signify a 10-percent increase in available personnel, which will enable us to reinforce the most congested areas," Salazar said.

Based on the conclusions reached by the parliamentary committee now studying the recruiting system, "the current structure will be maintained," he said.

Salazar added that a number of modifications may be made in the system, but said any "change to alternative forms of service has been ruled out."

The high Army official reiterated that a number of incentives are being looked at for young people performing their military service. Such benefits include scholarships for university and technical studies, as well as economic advantages.

The Army officer stressed that as part of the effort to improve the recruiting system, great pains were taken in the training of the institution's new officers. Emphasis was placed on new background training, along with knowledge of existing concepts, and a thorough understanding of the rights of conscripts while they complete their compulsory military service.

Salazar also reported that more computer courses will be provided for personnel, "all for the purpose of making military service serve the citizen better."

Concerning criticisms of the system expressed by certain political youth groups, Salazar added that long meetings have been held with the leadership of the Socialist Party Youth and PDC [Christian Democratic Party] in order to provide them with a broader understanding.

"I believe we understand one another in the sense that some of their apprehensions are completely legitimate. We have indicated that some of these things can be corrected; others cannot."

Expanded Investment Rules Outlined

95SM0429B Santiago LA NACION in Spanish
27 Jun 95 p 23

[Article by Aldo Anfossi]

[FBIS Translated Text] Yesterday the government announced legal and regulatory measures that will increase the flow of Chilean capital abroad, particularly from institutional investors. The latter will now be allowed to purchase stock in companies, foreign debt titles, government and private bonds, and participate in the creation of international investment funds.

In essence, there has been a relaxation of risk requirements that must be met by financial instruments purchased abroad, which will result in a greater variety.

The measures will favor Pension Fund Administrators (AFP's) and insurance companies (see box). According to one government official, some \$2.5 billion could flow abroad annually, channeled into diversified investments.

Minister of Finance Eduardo Aninat said that because of the soundness of the domestic economy, "this is

the time to continue the process of financial opening to foreign interests," although "gradually and while exercising proper caution" so as to protect the people's savings.

Aninat denied that the package comes in response to the attempt to strengthen the rate of exchange—"they are absolutely independent"—but admitted that "they do have an indirect impact on the stability of exchange rates."

He said it is "a basic, substantive step" aimed at modernizing the money market and giving it more flexibility.

AFP Superintendent Julio Bustamante declared that the changes for Fund Administrators are regulatory and will soon take effect. Daniel Yarur, his counterpart at Securities and Insurance, said that those pertaining to insurance companies require regulations, while the creation of investment funds will require a law.

For example, AFP's will now be able to invest in Colombian financial instruments or purchase foreign debt notes (Brady bonds) from Argentina, Brazil, Peru, Ecuador, Mexico, and Venezuela. If they so choose, they may also purchase American Depositary Receipts (ADR's, stock packages) from Latin American companies, which up to now has been virtually impossible.

Aninat defended the timeliness of the measures and guaranteed that they will be extensively studied, that no exaggerated risks will be taken with the people's savings, and that institutions so favored will be strictly audited.

"We are not making any haphazard or hasty liberalizations here.... We proceeded with the opening very carefully.... We believe we have provided every possible safeguard to make it a well-thought-out and protected step," he said.

He declined to quantify the impact, saying only that "the market will tell the tale." He, nevertheless, admitted that "it is in no way a minor, limited, or partial approach," adding that it will in the long run have "major repercussions."

[Box, p 23]

New Fate of Chilean Money

This is a summary of the new range of possibilities for investing Chilean savings:

A. Investing Pension Funds Abroad

1) Investing in Fixed Income

The possibility of investing in foreign debt instruments will be expanded from the current classification of risk A to one equal to or greater than BBB for long-term instruments.

For short-term investments, authorization will be given for the purchase of debt instruments whose risk classification is equal to or greater than N-3 (currently, only those estimated to entail a risk of N-1 are permitted).

Investments will be permitted in bonds guaranteed by the U.S. Treasury Department.

2) Investing in Variable Income

The Risk Classification Commission and Central Bank will authorize the purchase of capital issues (stock) traded on stock exchanges that comply with "requirements pertaining to transparency, regulation, information and supervision." Such guarantees must be certified by duly authorized agencies that are independent from the issuing institute.

The authority pledges to promote legal reform of Foreign Investment Regulations and risk classification standards.

B. Insurance Company Investing Abroad

1) Investing in Fixed Income

Principles similar to those defined for pension funds will be applied.

2) Investing in Variable Income

The purchase of stock traded on commercial exchanges in countries included in the Investment Grade classification will be permitted.

For exchanges in countries not meeting minimum risk classification requirements included in the Investment Grade classification, additional requirements will be set forth.

3) International Investment Funds

The government will draft a bill to create four types of international investment funds: movable, real property, business development, and secured loans.

The assets of such funds will concentrate their activity abroad.

Insurance companies and pension funds may purchase percentages of such funds.

Colombia

Official Returns From U.S. Without Proofs on Drug Kingpins

PA2907193195 Santa Fe de Bogota Inravisión
Television Canal A Network in Spanish
1800 GMT 28 Jul 95

[Report by Jose Luis Ramirez from the "Cripton Newscast"]

[FBIS Translated Text] The trip by Deputy Prosecutor Adolfo Salamanca to the United States on 9 June [as heard] left more negative feelings than positive ones. His expectations came to naught when the objective of the trip was not met.

The official visited the offices of government organizations for 15 days seeking proofs in order to bring to trial and punish the drug trafficking kingpins. The United States feels the Colombian judicial system is weak; that is, not as stiff as its own, which has the death penalty, life imprisonment, and additional years in jail.

The U.S. attitude, despite its kudos for the latest action by Colombian authorities, was not kind to Salamanca. He had to return without the documents linking Gilberto Rodriguez Orejuela to drug trafficking, conspiracy, and money laundering in that country.

It was the same thing with the proofs against Jose Santacruz Londono for drug trafficking and the murder of Cuban newsman Manuel de Dios Unane. Thus, the so-called exchange of proofs or cooperation is at a standstill.

Deputies Committee To Probe Samper Drug-Related Charge

PA2807151395 Santa Fe de Bogota Emisoras Caracol
Network in Spanish 1200 GMT 28 Jul 95

[Telephone interview with Tarquino Pacheco, Liberal Party deputy of Atlantico, by Rodolfo Mejia, at the Caracol studio in Barraquilla, and Carlos Ruiz, in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Ruiz] The Accusations and Investigations Committee of the Chamber of Deputies will have to choose by drawing the congressman, who must submit a report in response to the request for an investigation made by President Samper to establish the alleged narcotrafficking link in the financing of the Liberal campaign last year. Mr. Tarquino Pacheco is a member of this committee. At this moment he is speaking to Rodolfo Mejia of Caracol, Barranquilla.

[Mejia] Thank you Carlos and companions of this newscast in Santa Fe de Bogota. We are speaking with Mr. Tarquino Pacheco, Liberal Party representative for Atlantico and member of the Accusations and Investigations Committee of the Chamber of Deputies. To begin we will ask him, Dr. Pacheco how do you interpret President Ernesto Samper's decision to ask you to investigate him? Good morning.

[Pacheco] Good morning. We are responding to the president's request. I think it is very desirable that the country be clear about all of these situations the country is experiencing. Any situation that exists regarding the financing of the president's campaign should be cleared up. This is for the good of Colombia. I think Colombians are waiting for a clear, precise, and positive response regarding all of the series of difficult situations the president has had to endure, ever since he was elected and virtually the day after the elections when Dr. Andres Pastrana charged that Cali Cartel narcotics funds had financed his campaign.

I think we must have faith in the institutions, in the country and in the president of the Republic. I think that now we must basically consolidate the leadership of the Liberal president in terms of this subject and this plight that affects Colombians. We will wait for the committee to make this request effective. I think the deputy chosen by drawing to carry out this work will be supported by us, so that he can carry out his work in the clearest way possible.

[Ruiz] Dr. Pacheco, with all due respect for you and the Chamber of Deputies, political circles used to label this committee the committee of acquittals, because there has never been any important condemnation or sanction that we can remember in the recent history of that committee. What is your comment on this?

[Pacheco] Yes, what happens is that the majority of the parliamentarians who belong to this committee are in the Colombian Congress for the first time. We know the majority of the people in different circles are of the opinion that this is a committee of acquittals. Logically, the committee has had baseless charges crop up daily. Then, how can we conduct an investigation and sanction someone who is innocent? I think that is the basic question. We are not going to be in a committee with the intention of persecuting anyone or meting out punishment for crimes where there are none. In most of the cases that we have had to conduct investigations on, the members of this committee have consulted with the Justice Ministry and with the Supreme Court, making use of all the technical knowhow the Justice Ministry and Supreme Court have on hand to investigate the charges filed with the Accusations Committee.

Unfortunately, the committee has become a repository for disputes of a political kind or of existing resentments between some political leaders and former officials, be they former attorneys, presidents, ministers, or former magistrates. Strangely enough, the charges filed with the committee are made against persons after they have left their posts. Recently we have received many accusations against former President Cesar Gaviria, against former Prosecutor General Gustavo De Greiff, and against former members of the Supreme Court. As things would have it, the charges are always filed after they leave their posts. More than anything, they are charges made by persons who used to belong to their group of collaborators.

Congress First Vice President on President's Request

PA2807151595 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 28 Jul 95

[Telephone interview with Deputy (Isabel Selles), new vice president of the Chamber of Representatives, by Carlos Ruiz; from "Caracol's 0600 to 0900" — live or recorded]

[FBIS Translated Text] [Ruiz] Colombian President Ernesto Samper has asked the Chamber's accusation commission to investigate the drug traffickers' alleged ties to the electoral campaign. President Samper has asserted that he will assume all the consequences of this investigation. Mrs. (Isabel Selles), a conservative from Norte de Santander, is the new first vice president of the Chamber of Representatives. Dr. (Isabel), good morning.

[(Selles)] Good morning.

[Ruiz] How did you, the Chamber directors, receive the request made by President Samper to the accusation commission of your organization?

[Selles] With the same responsibility with which we have assumed the management of the plenary and with the same responsibility and (?verve) showed by the president.

[Ruiz] What are the procedures to be followed now that the president has requested this investigation?

[Selles] We have to wait for the official request to get to the Chamber's accusation commission. The commission will meet and appoint a member to investigate the case and report his findings. This person has to act, in all cases, in the same way any prosecutor of the Republic has to act. He will investigate and take his findings to the commission, which will study them and present their conclusions to the Chamber's plenary.

[Ruiz] Can the president be called to testify?

[Selles] Of course. This provision is included in the Chamber's statutes and especially in the accusation commission. I was a member of the accusation commission in 1990, and clearly recall an action against former President Belisario Betancur for the Justice Palace raid that was still pending at that time. We hope that in this case, those who are in the Chamber's accusation commission, whose names I do not recall at this time, will act with the seriousness and responsibility that the case merits because, based on the Constitution, this is the only instance that can investigate the president of the Republic.

[Ruiz] Customarily, the people who investigate and present the reports, the people who have to act as a sort of, and I quote prosecutor, unquote, in the Chamber's name, are chosen by lot. However, a multi-party commission could be appointed when important cases such as this one come up. This case would merit such a commission due to the significance of the investigation and the importance of the person being investigated, of the person who could possibly be accused. Do you agree that this case requires a multi-party commission to conduct the investigation requested by the president?

[Selles] Let's see. This new body is not included in the accusation commission's procedures. Such a commission is used and legally allowed to present bills before the plenary. The law allows for collective proposal of bills. The cases presented to the accusation commission of the Chamber of Representatives must be assigned to its members who are to be chosen by lot.

[Ruiz] Thus, the investigator will be chosen by lot. As a conservative, how did you receive the president's speech?

[Selles] I believe in the president. I trust the Colombian institutions. I believe that, as Laureano Gomez used to say, we have to believe in men and more so, in the president of the Republic. Nevertheless, I consider that the investigations have to be carried out to the last consequences. What is happening now, is the sad reality of our Republic of Colombia. Everything has reached rock bottom. Corruption has reached the highest levels. I have always considered and have so experienced it because I have had the opportunity of accompanying several presidential candidates, that a person who is running for the presidency delegates tasks to his working team, especially to the treasurer of his campaign. I do not believe President Samper [presidential candidate for the Conservative Party], Andres Pastrana, or, in fact, any of the other candidates in the presidential race, had the time to keep abreast

on the contributions received or how money was being collected.

The president was effectively clear last night when he said that we would not have seen the recent events if he had any pacts with the drug traffickers. The Cali Cartel is totally dismantled at this time. I believe the president when he says he is a target of threats and moral blackmail currently and that he will not permit this to undermine his actions in any way. Quite the contrary, he will continue to fight, to carry out an all-out struggle against drug trafficking.

[Ruiz] We have talked with conservative Isabel Selles, first vice president of the Chamber of Representatives of Colombia.

Defense Minister on Drug Money Said To Enter Samper Campaign

PA3007200995 Santa Fe de Bogota Inravision
Television Canal A Network in Spanish
1800 GMT 30 Jul 95

[From the "Cripton Newscast"]

[FBIS Translated Text] Colombian Defense Minister Fernando Botero Zea spoke on national television a few minutes ago. He referred to the drug trafficking money that is said to have entered Ernesto Samper's presidential campaign. The following are the minister's statements:

[Begin Botero recording] There is a sea of rumors attempting to place doubts on the integrity of President Samper and leading government officials. In this regard, I believe the country has to look at events, and they are overwhelming. When President Samper was a candidate, he was determined to have a campaign that would curb as much as possible the risk of receiving tainted money, the reason why all types of measures were taken; that is, many controls, an ethics code, an ethics prosecutor, a national financial committee.

I want to clarify that I am not involved in this matter. The prosecutor general has said he has no reason to call me to testify, but I am entirely at his disposal if, for any reason, he wants an explanation or any type of information from me. [end recording]

Former Ethics Prosecutor Jorge Valencia Jaramillo, who is in Ibague, has also referred to the infiltration of drug money in Samper's campaign:

[Begin recording] [Unidentified reporter] What were your controls for the money received for the campaign?

[Valencia Jaramillo] Mine was a general role. I was asked to give my opinion if any of the resources

received prompted doubts. I gave my opinion, and one action or another was taken. I have rejected several contributions. This is how it was done, but—I repeat—it did not happen frequently.

As for the check that has been in the headlines during the past few days, I actually never saw it. I was never informed of this contribution. [end recording]

Rejects Santiago Medina's Charges

PA0108043795 *Santa Fe de Bogota Inrvasion*
Television Canal A Network in Spanish
0000 GMT 1 Aug 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] After revealing what President Ernesto Samper's presidential campaign treasurer Santiago Medina has told prosecutors, Defense Minister Fernando Botero attacked Medina saying his statements are false.

[Begin recording] [Botero] That declaration, that statement, throws mud into the fan to spray on the Colombian Government.

Santiago Medina says the campaign had an overseas account called Project 1990. I want to categorically say again that this is false, the campaign did not have and does not have any account abroad.

Santiago Medina has also stated that candidate Ernesto Samper himself and the director of the campaign gave him specific and clear instructions to receive drug trafficking money and to use it to finance the electoral campaign.

I want to be absolutely emphatic and firm in saying that what was really said by Ernesto Samper, the director of debates, and the national director of the campaign, is that by no means could drug trafficking contributions be accepted.

Santiago Medina has said that there is allegedly a receipt signed by the campaign director on the arrival of this money. There is nothing more absurd and preposterous than this definitely false affirmation.

Santiago Medina has also said that the current communications minister was the one in charge of receiving cash from Colombia's Atlantic Coast Cartel. This is a huge and outrageous lie.

[Unidentified reporter] Minister Botero, we have just been informed by the Prosecutor's Office that the record of Medina's deposition was removed from the Prosecutor's Office Saturday and that right now there are DIJIN [Judicial and Investigative Police Directorate] agents looking for fingerprints, and so on. How can

you explain that if this deposition was not leaked to the media, you have been able to practically give us a detailed report on its contents. Did the government know about this document?

[Interior Minister Horacio Serpa] The government received an anonymous report. This is the country of anonymity.

[Botero] It was not me who received the anonymous note but I want to add that some media sources that I do not want to mention by name established contact with government officials because they are already in possession of Medina's deposition. [end recording]

Interior Minister Condemns Anti-Samper Slander

PA0108043895 *Santa Fe de Bogota Inrvasion*
Television Canal A Network in Spanish
0000 GMT 1 Aug 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Interior Minister Horacio Serpa has reiterated statements he made to the "Seven O'Clock Newscast" on Friday [28 July]. On that occasion, he confronted the nation's deputy prosecutor general and said continuous leaks of information about prosecution processes against politicians are, to say the least, suspicious. This time he said:

[Begin Serpa recording] Listen carefully, because what I am going to say is true: We are facing a scurrilous process. Every hour, the people in government, the people who have links with the presidential campaign of Ernesto Samper, have to step forward to publicly confront faulty, infamous, slanderous, false, and exaggerated claims that distort the truth. The worst part is that all of these speculations have been plotted within and leaked from the building that houses the Prosecutor General's Office.

If there is anything for which the campaign is responsible, Fernando Botero Zea and myself assume responsibility, just as we did from the beginning of the campaign, as we should. This is why Fernando Botero and I are in a position to expose the lies of all these charges and malicious statements.

I want to inform you that, based on constitutional rights, I am going to address the prosecutor general and demand that he first categorically and clearly assume his responsibility with Colombia to avert the conflicts that have arisen in matters that are the object of work by the Prosecutor General's Office.

Institutional life is being seriously threatened. There can be no playing with the righteousness or honor of

people who in Colombia have the obligation to drive the country forward. [end recording]

Prosecutor General Issues Communique on Ministers' Comments

PA0108040595 *Santa Fe de Bogota Inravisión*
Television Canal A Network in Spanish
0000 GMT 1 Aug 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The crisis evident this evening between the government and the Prosecutor General's Office has resulted in a communique being issued a few minutes ago by Prosecutor General Alfonso Valdivieso. Orlando Guerrero has the story from the Prosecutor General's Office:

[Guerrero] Good evening. Please pay close attention. On the evening of 31 July, the severe confrontation between the government and the Prosecutor General's Office was evident. Prosecutor General Valdivieso released a communique contradicting certain public statements the interior and defense ministers made earlier in the day. These ministers were basically questioning investigations being conducted by the Prosecutor General's Office regarding the 8000 Proceedings, specifically those concerning Santiago Medina.

[Begin Valdivieso recording] Within the context of the proceedings against Mr. Santiago Medina, it was established that one of the copies of the depositions he gave on 28 July was stolen over the weekend. Likewise, it was evident that unidentified individuals broke into the offices of the National Directorate of Prosecutors Offices [Dirección Nacional de Fiscalías]. These incidents are the object of rigorous criminal investigations.

Third, the Prosecutor General's Office stresses its concern over the apparent leaks of information concerning the aforementioned proceedings, and it regrets that these ministers themselves are making their private lives public by questioning the leaks. In addition, the fact that they held a news conference to make public and discuss a document that, according to them, they received as an anonymous letter surprises us.

Fourth, the treatment that many government institutions have been giving to the Prosecutor General's Office, its directors, and its actions is worthy of concern, thereby attempting to discredit its top authorities and instill deceitful divisions among its officials. [end recording]

Medina Implicates Samper, Others in Drug Money Scandal

PA0108031695 *Santa Fe de Bogota Inravisión*
Television Canal A Network in Spanish
0000 1 Aug 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The country is now facing a delicate political and legal situation. The former treasurer of President Ernesto Samper's presidential campaign, Santiago Medina, gave more than 10 hours worth of depositions before prosecutors on 28 July. In those depositions, he implicated the president himself, several ministers, and other high-ranking government officials who allegedly knew that the campaign was receiving drug trafficking money.

Defense Minister Fernando Botero announced this information on 31 July at a news conference held along with Interior Minister Horacio Serpa.

[Begin Botero recording] Mr. Medina named the following people: first, President Ernesto Samper Pizano; second, Vice President Humberto de la Calle Lombana; third, Government Minister, I mean Interior Minister Horacio Serpa Uribe; yours truly, the defense minister; Communications Minister Armando Benedetti Jimeno; Presidency Secretary General Juan Manuel Turbay Marulanda; National Television Council President Jorge Valencia Jaramillo; Juan Manuel Avella, manager of the Financial Institutions Guarantee Fund [Fondo de Garantía de Instituciones Financieras]; Monica de Greiff Lindo, a prominent member of the National Television Council; General Maza Marquez; Dr. Enrique Penalosa Camargo; former Prosecutor General Gustavo de Greiff; former Foreign Minister Augusto Ramirez Ocampo; and, I repeat, prominent individuals from the country's largest business groups. [end recording]

Liberal Party Leader Calls For Samper's Resignation

PA0108041095 *Santa Fe de Bogota Inravisión*
Television Canal A Network in Spanish
0000 GMT 1 Aug 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Liberal Party leader Enrique Parejo Gonzalez, who opposes the administration of Ernesto Samper, was quite emphatic on the evening of 31 July when he said President Samper must resign.

[Begin recording] [Parejo] I believe the president of the Republic must start stepping down, because what has been made known today undoubtedly has jeopardized the president's commitments. The government has lost

its moral legitimacy. It cannot continue to lead the nation's destiny. The country cannot allow people whose morals are in question to govern it.

[Unidentified reporter] Do you believe it is ethically appropriate for a government to show it has captured four drug trafficking leaders while it has been proven that it received drug trafficking money?

[Parejo] No, of course not. The compromise it may have made when it received drug trafficking money — money whose origin is illegal — is one thing, and what it has done and continues to do is another. An individual could steal and then return what he stole; however, this action does not make the crime go away. [end recording]

Ecuador

President: Fujimori To Be 'Well Received' at Summits

PA0108035095 Quito Voz de los Andes in Spanish
1700 GMT 31 Jul 95

[From the "The Voz Andes Newscast"]

[FBIS Translated Text] President Sixto Duran-Ballen has stated that his Peruvian counterpart, Alberto Fujimori, will be well received at the summits of presidents and heads of state of the Rio Group and of the Andean Pact to be held in Ecuador next September.

The announcement was made after Venezuelan President Rafael Caldera confirmed to Duran-Ballen that Fujimori wanted to attend those meetings. Fujimori's presence at the summit of presidents and heads of state of the Rio Group and of the Andean Pact will be a valuable contribution to strengthen the relations to which the Ecuadoran people and government assign top priority, Duran-Ballen said.

Fujimori will be especially well-received. This visit will not only contribute to provide support to the tasks and goals of the two regional groups of The Americas, but it will also strengthen mutual trust—one more step of rapprochement between Ecuador and Peru—Duran-Ballen said in an official communique.

Industry Minister: Fujimori Speech 'Constructive'

PA3107133695 Quito Voz de los Andes in Spanish
1230 GMT 30 Jul 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Industry Minister Jose Vicente Maldonado described the Peruvian president's speech as constructive and conciliatory. This is the Ecuadoran Government's first public reaction to Fujimori's speech. Maldonado made this statement yesterday upon return-

ing from Lima, where he headed the Ecuadoran delegation to the inauguration of Fujimori to a second term.

Leoro: Banderas Garrison Out of Border Buffer Zone

PA2807235895 Paris AFP in Spanish
1823 GMT 27 Jul 95

[FBIS Translated Text] Quito, 27 Jul (AFP) — Foreign Ministry spokesmen stated Thursday, 27 July, that the military post of Banderas, located along the common border between Ecuador and Peru, was excluded from the demilitarized zone agreed upon last Tuesday. Meanwhile, the Defense Ministry handed out a map of the zone from which the two countries will have to withdraw all their troops this weekend.

"As a result of the flexibility by Ecuador and Peru, the post of Banderas will be excluded from the demilitarized zone but subject to the permanent monitoring by the observers from MOMEPA [Ecuador-Peru Multinational Observation Mission] (comprising soldiers from Argentina, Brazil, Chile, and the United States — countries that promoted a cease-fire)," Ecuadoran Foreign Minister Galo Leoro said.

The military post of Banderas, on the Condor mountain range, was not directly involved in the undeclared war between Ecuador and Peru, which in January and February disputed control over a 78-km stretch along the border on the Amazon region that has been delimited but not demarcated by the Rio de Janeiro Protocol.

During the war, Ecuadoran soldiers stationed at Banderas remained on alert without getting involved in the fray that was centered in the Tiwinza zone, according to a Defense Ministry source in Quito, who noted that Banderas instead served as a supply point.

Ecuadoran analysts on Thursday regarded as plausible the agreement that defined the limits of the demilitarized area, which included the posts the Ecuadoran Army defended during the conflict in early 1995.

The agreement mentioned the Soldado Pastor post or PVI (Watch Post One) with regard to Peru and Cueva de los Tayos, Base Sur, La Montanita, Coangos, and the famous Tiwinza, over which the two countries fiercely fought, with regard to Ecuador.

According to Leoro, the area to be declared a buffer zone next Tuesday "does not affect the territorial rights that Ecuador defends. In addition, this area does not and cannot entail any assessment or definition of borders or anything else. The area does not prejudice the rights or legal positions of the sides."

Quito's newspaper, EL COMERCIO, in its leading Thursday editorial, praised the agreement and said that "now it is necessary to open negotiations to find a final solution of the old and thorny problem between the two countries." The newspaper added that, by setting the terms for demilitarization, "one more step is taken toward fulfillment of the Itamaraty Agreement signed on 17 February."

While Ecuadoran President Sixto Duran-Ballen and Foreign Minister Leoro met in the Carondelet Palace, seat of the government in Quito, to assess the demilitarization agreement, some political circles were optimistic over the future of the negotiations.

Minister Maldonado Urges Resuming Trade With Peru

PA2807210795 *Quito Voz de los Andes in Spanish*
2300 GMT 27 Jul 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Appeals for promptly resuming bilateral commercial relations and for casting away differences to avoid hindering the peace process were the first detente gestures in Ecuador following the signing of a long-awaited agreement with Peru, which outlined the common border to be demilitarized.

The government will send a delegation to Lima, which will be led by Industry Minister Jose Vicente Maldonado, to attend President Fujimori's inauguration.

I have confidence that we will be promptly announcing the full resumption of binational trade once Peru sets its position in this regard, Maldonado stated, after the signing of the demilitarization agreement was disclosed.

Maldonado and his Peruvian counterpart, Liliana Canales, will have the opportunity to hold talks on the trade topic when they meet in the Peruvian presidential inauguration this weekend.

So far, only Ecuador has unilaterally reopened the international bridges.

Vice President Dahik's Exposure of Corruption Viewed

Reactions to Dahik's News Conference

PA3107201395 *Quito Voz de los Andes in Spanish*
1700 GMT 28 Jul 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] There have been many reactions to Vice President Alberto Dahik's questions and answers session with five journalists over a radio and television network last night.

Political and union sectors have already termed shameful and insufficient Dahik's arguments to justify the corruption in which the government has been involved.

Marcelo Roman, president of the Federation of Ecuadoran Oil Workers, said that Dahik, who admitted the government of Sixto Duran-Ballen had agreed to be blackmailed by deputies to save the democratic system, last night gave to the country a half-explanation over the corruption scandal. Dahik presented important information but failed to complete the reports and did not reveal the names of all of the persons involved in blackmail or those who were appointed in state-run enterprises in exchange for doing favors for the government, Roman said.

Abdala Bucaram, president of the Ecuadoran Roldosist Party [PRE], who, according to Dahik, is the party's presidential candidate and one of those involved in blackmail against the government, said it is shameful and revolting to see someone trying to appear as an honest person while hurling garbage in front of a fan. See if he can avoid a political trial, Bucaram said, regarding the explanation on corruption that Dahik gave last night at a panel of journalists, a panel which was broadcast throughout the country via radio and television.

According to Bucaram, Dahik's explanations cast a shadow of doubt, although he said important things like admitting that he had to give money to deputies for the sake of modernization. Dahik said that, while yielding to deputies' blackmail, the government of Duran-Ballen took important steps to change the system and put an end to corruption.

Dahik said that deputies of the Conservative Party, the Social Christian Party [PSC], the Democratic People's Movement, and the PRE, all of the opposition and which have demanded that the vice president be submitted to a political trial, requested and received money from the state budget allegedly for works that would benefit the people. Nevertheless, the fate of these funds must now be investigated by the Comptroller General's Office, agency that supervises the state accounts.

Mariela Ceballos has reported from the Congress that Deputy Santiago Bucaram justified the budget allotments handed down by the government to deputies of the Roldosist faction. The allotments I have received are the result of my work as president of the Congress Budget Commission, Bucaram said.

[Begin Bucaram recording] I have secured budget allotments for the country's 195 municipalities. This is my work in the Budget Commission. You are witnesses to the dozens and hundreds of notes of appreciation I

have received from the public in general. The general things mentioned or discussed remain general. After I filed a report of all of the comments that the country and the press had heard in a private accusation, we see the clear necessity, which he clearly expressed, of holding a political trial. Anyway, it will be the Congress president who will make the final decision regarding the political trial. [end recording]

Deputy Eduardo Villaquiran of the PSC pointed out that Dahik's charges against him are completely ridiculous. The government has given Villaquiran no money to build [words indistinct] things are not like that, he said.

[Begin Villaquiran recording] There is an account with which we and the vice president of the Republic [words indistinct] deputy Villaquiran has obtained allotments for schoolrooms in Pichincha province. This is true. We have built 731 schoolrooms, which are proof that the Ecuadoran people's money in the government budget serves the Ecuadoran people's interests. I, as a deputy, decided to work for my province and build schoolrooms for the sake of education. My party and I believe that education is fundamental for our country. It is not that Deputy Villaquiran was given the money and did not build the classrooms. No, sir. According to the law, some deputies obtain budget allotments through some public sector agency or through personal authority. [end recording]

Deputy Villaquiran added that, in view of Dahik's charges, this afternoon he will ask Congress president Jimenez to lift Dahik's immunity. If Dahik has anything against him, let Dahik proceed before the administration of justice, but without his immunity, Villaquiran said.

PSC Official Files Slander Suit

PA3107170395 Quito Voz de los Andes in Spanish
1230 GMT 29 Jul 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Social Christian Party [PSC] legislator Rafael Cuesta said he will file a lawsuit against Vice President Alberto Dahik for charges of slander during a Thursday night television and radio network. [Words indistinct] because I told the country I would be interpellating for the PSC in the trial we have started on the Emelec [Ecuadoran Electric Power Enterprise] case, Cuesta stated.

Cuesta said Dahik is mainly responsible for the current administration's acts of corruption with the help of his aides: Luis Ruedas, (Mrs. Merchay), and Juan Mario Crespo. I am not disclosing all the names or the evidence, which I will submit to the National Congress, Cuesta added.

[Begin recording] [Cuesta] Yesterday, I reported a telephone wiretapping network set up at the Vice Presidency, headed by Police Captain Juan Coloma and assisted by Captain Poveda.

[Unidentified reporter, interrupting] Can you prove it?

[Cuesta] Yes, sir, I can prove it. I reported this yesterday and, last night, in the most despicable, cowardly, cynical, and anti-Christian — assuming he is Christian — manner, Dahik accused me of telling Deputy Freddy Bravo to negotiate directly with 16 deputies in exchange for 20 billion sucres. Those are the facts. As you can see, that is why Dahik accuses me — for being the interpellator and his desire to discredit his interpellator.

Second, the trial is set; there is no turning back. Today, we will submit Dahik's trial to the National Congress. In addition, I will file a lawsuit before the chief justice of the Supreme Court for all the embarrassing incidents taking place in the country, for which Alberto Dahik Garzzosi is mainly responsible. Also, I will personally sue Dahik for slander. [end recording]

We will go ahead with the political trial of Dahik with the propriety that exemplifies the PSC, and we will show the truth, but in the criminal law arena, where I have the right to act with all the prerogatives of the law to defend my honor and honesty, which are known to all Ecuadorans, Cuesta concluded.

MPD Deputy Confirms Lawsuit

PA3107152195 Quito Voz de los Andes in Spanish
1730 GMT 29 Jul 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Juan Jose (?Castelo), of the MPD [Democratic People's Movement], has confirmed the political lawsuit against Vice President Alberto Dahik; 41 deputies are reportedly supporting the political lawsuit against Vice President Dahik. MPD Deputy (?Castelo) pointed out that his parliamentary bloc confirmed the political lawsuit against Dahik. This lawsuit will prove that the state's secret accounts sparked corruption in our country. (?Castelo) stressed that there is an urgent need to impeach Dahik from the vice presidency of the Republic.

[Begin (?Castelo) recording] We are telling the country that this political lawsuit will be the stage from which to know the vice president from head to toe. This is the opportunity in which we will definitely prove the need to impeach the vice president of the Republic, Alberto Dahik. Regardless of the delay in the action of the Social Christian Party [PSC], we in our party are pleased that the number of deputies demanding a political lawsuit

against Dahik is increasing. Today we have 41 deputies making this demand.

We want to start from something the vice president did: He openly recognized that he on his own, not from instructions, was in the house of Leon Febres Cordero, along with Jaime Nebot and (?Medel). Former Government Minister Marcelo Santos and Finance Minister Mario Rivadeneira were also there. They were drafting the pact between the government and the PSC, a pact that amounted to 200 billion sucres. He himself told the country that he was there at the time the government and the PSC forged the bribery. [end recording]

All seems to indicate that, following Dahik's appearance in a television network on the evening of 27 July, the political lawsuit against him will become a reality after 10 August.

Deputy Dota Comments on Corruption

PA3107040795 Quito Voz de los Andes in Spanish
1230 GMT 29 Jul 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Vice President Alberto Dahik has been the first person to have the courage to expose a completely corrupt system. I admire the man's boldness, (Marcelo Dota), now an independent deputy, has said:

[Begin (Dota) recording] I want to say something very honestly. I can give you a demagogic answer if you want me to, but I want to give you an honest one. The vice president has had, for the first time since I can remember, the courage to expose a rotten and corrupt system. Paradoxically, Dahik, who is a conservative, has exposed the system in which he believes, a system that can only exist in tandem with corruption, blackmail, and bribery. I admire his courage because he (?is treading) on a mine field and at great risk for him; an honorable spirit is needed to do that. Above all, I respect the man's courage. [end recording]

Moreover, Deputy Manuel Alvear has described Dahik's position as courageous for disclosing that the Social Christian Party, the Democratic People's Movement, and the Ecuadoran Roldosist Party have often asked the government for additional budget allocations and privileges in return for their support for government projects. Alvear has said, however, there is no justification for the government in allowing certain political groups to blackmail it.

Guayaquil's Major Companies Listed

95SM0439A Guayaquil EL UNIVERSO in Spanish
17 Jul 95 p 12

[FBIS Translated Text] Quito—The 427 most important companies in Ecuador have their headquarters in Guayaquil. This was stated in the report of the Office of the Superintendent of Companies which collects data regarding the assets, fixed capital, and income of the 1,000 most important companies in the country.

The report mentions Cuenca, Machala, Manta, Quito, and Ambato as other cities in which the most important companies have headquarters, with 49, 17, 15, 407, and 11 companies, respectively. The report states that the remaining 74 companies have their headquarters in other cities.

The most important companies are engaged in nine sectors of economic activity: manufacturing industry, 393; wholesale and retail business, restaurants, and hotels, 282; agriculture, hunting, and fishing, 106; finance companies, 80; the construction industry, 42; exploitation of mines and quarries, 33; transportation, warehousing, and communications, 31; electricity, gas, and water, 17; and social and personal communications services, 16.

According to the report, the company with the greatest total exports is the Noboa Banana Exporting Company. The company with the largest assets is the Quito Electric Company, which also has the largest amount of fixed capital. In terms of the level of income, La Favorita chain of supermarkets is in first place among the 50 companies making up the sample.

The San Carlos Agricultural Corporation is the most important company in the agricultural sector. The National Cement Company is the largest company in the industrial sector. The Quito Electric Company is the largest company generating and distributing electricity. In the building industry the Norberto Odebrecht Construction Company is in first place. La Favorita Supermarkets chain is in first place at the wholesale and retail sales level. Naviera del Pacifico is in first place in transportation and storage. Conticorp is the leader among the finance companies. The Ecuadoran Television Corporation is in first place in providing communal, social, and personal services.

Paraguay**President on Democratic Process, Political Stability***PY3107225295 Asuncion ULTIMA HORA in Spanish
28 Jul 95 p 10*

[Article by unidentified special correspondent]

[FBIS Translated Text] Lima — President Juan Carlos Wasmosy noted on 27 July that breaking off relations between the government and the opposition, within the framework of the governability pact, would jeopardize our country's democratization process and political stability.

Wasmosy is paying an official visit here to participate in the inauguration ceremony for President Alberto Fujimori. This will be Fujimori's second consecutive term of office as head of the Peruvian executive branch. Despite the shortness of his visit, Wasmosy managed to meet the Peruvian president and Peruvian politicians.

Briefly reviewing the possibility of the opposition walking out of the interparty board's discussion of military issues, Wasmosy responded: "A decision has actually been made on enhancing the democratic process. I believe this decision alone represents a guarantee for the ruling party and the opposition."

Wasmosy emphasized: "If this democratic process halts, there will be no development, peace, or well-being. Gentlemen, we will blame democracy for the frailties of politicians."

[ULTIMA HORA] Could this breaking off jeopardize the democratic process?

[Wasmosy] I believe so. However, as I have just told you, I read this in the newspapers, but in my opinion we will sit down at the table and talk. Agreements are always achieved through talks.

Defense Minister Comments on Defense Ministerial Meeting*PY3107173695 Asuncion ABC COLOR in Spanish
31 Jul 95 p 5*

[FBIS Translated Text] Defense Minister Hugo Estigarribia Elizache headed the Paraguayan delegation that attended the Defense Ministerial Meeting of the Americas held in the city of Williamsburg, the United States, last week. Commenting on this meeting, the defense minister said yesterday that participants underscored the need for the Armed Forces to be subordinated to civilian power.

The delegation headed by Estigarribia comprised Air Force Commander General Cesar Rafael Cramer Espinola; Andres Prieto Conti, the Paraguayan ambassador to the United States; Colonel Escobar [not further identi-

fied]; and Lieutenant Colonel Edgar Humberto Gini Jara [not further identified]. The official delegation returned with the conclusions of the summit meeting, which will be submitted to President Juan Carlos Wasmosy.

The defense minister said: "The level of the meeting was excellent. There were representatives from 34 countries at this summit meeting, of whom 30 were defense ministers and the rest high-ranking dignitaries. The issues broached at the meeting were discussed in committee. One committee analyzed the issue of the Armed Forces, conscience, and openness. Another dealt with the subject of defense cooperation, and a third examined the subject of the Armed Forces and democracy toward the year 2001."

Estigarribia further reported that it fell upon him to be moderator in the discussion of the subject pertaining to the need for openness and confidence. "This topic has to do with relations between countries, especially neighboring countries. It is advisable that countries should promote mutual confidence and openness by informing each other about their weapons and defense budget, something which may be instrumental in building mutual trust. This trust, in turn, is necessary for maintaining peace."

The defense minister commented that "it was greatly emphasized that the Armed Forces ought to be subordinated to civilian power. It was also pointed out that the military must actively participate along with civilian authorities in the defense of the Constitution and the rule of law, in the enhancement of health and education conditions, and in the struggle against crime. In the latter case, the Armed Forces' participation is absolutely necessary."

Estigarribia stressed that the summit meeting in the United States was realistic in the sense that participants thought it highly unlikely that a war would break out between countries. This is why they considered that other roles must be found for the Armed Forces so that they may cooperate with civilian society.

"It is an unequivocal reality that as long as the state exists, so will the Armed Forces," he added.

The defense minister noted that another important agreement reached at the summit meeting involved the recommendation that the Inter-American Defense Board be more open to civilians so as to improve relations between civilians and the Armed Forces. Estigarribia went on to say that another outstanding event was the meeting between the Paraguayan delegation and high-ranking officials from the U.S. State Department.

Peru

Fujimori Confirms Presence at Rio Group Summit in Ecuador

PY3107142695 Madrid EFE in Spanish
0107 GMT 31 Jul 95

[FBIS Translated Text] Lima, 30 Jul (EFE) — Peruvian President Alberto Fujimori confirmed on 30 July that he will attend the next presidential Rio Group summit in Ecuador on 4 and 5 September.

After presiding over the traditional national holiday parade that marked the end of the second presidential inauguration ceremonies, Fujimori said his government "has never adopted attitudes that could jeopardize the process of peace and relaxation with Ecuador."

At the end of said ceremony he said: "My presence in Ecuador will consolidate that position."

Fujimori said the Ecuadorian border watch post of Banderas is included in the demilitarized zone agreed between Ecuador and Peru, adding: "There is confusion because in Ecuador there are several places with the same name."

"This is very clear, there is no doubt: The military post of 'Banderas'—not the town nor the observation post of the same name—is included in the demilitarized zone," Fujimori said.

During the civilian-military parade, a special tribute was paid to the Peruvian troops who fought in the war Peru with Ecuador in January and February 1995. There was no display of war materiel.

This latter fact has been interpreted by political analysts as a positive sign by Peru to the development of peace between the two countries.

Peruvian Foreign Minister Alejandro Tudela said the guarantor countries of the Rio de Janeiro Protocol — Argentina, Brazil, Chile, and the United States — have reaffirmed their decision to keep up negotiations in the quest for peace.

The Rio Group mediation has facilitated the recent approval of a demilitarized zone on the border between Ecuador and Peru where an undeclared war was waged some four months ago.

Government To Resubmit Lima Conventions to Congress

PY3107181795 Madrid EFE in Spanish
1024 GMT 31 Jul 95

[FBIS Translated Text] Lima, 31 Jul (EFE) — Once again it is up to the Peruvian Congress to finally solve

the pending issues of the treaty that ended the 1879 war between Chile and Peru.

Foreign Minister Alejandro Tudela said the Peruvian Government has resubmitted to Congress the Lima Conventions that were signed with Chile in 1993.

These conventions—which seek to solve some pending issues of the treaty that was signed by the two countries after the 1879 war—were ratified by the Chilean Congress last year but Peru has not done so yet due to strong opposition.

Tudela said he is sure the problems will be resolved "within the framework of good relations between Chile and Peru."

On 29 July, Peruvian President Alberto Fujimori asserted that Congress will ratify the conventions this year, after making some "readjustments" which he said the governments of Lima and Santiago have been discussing for the past few months.

Fujimori said that, during a meeting with his Chilean counterpart Eduardo Frei in Lima on 28 July, he promised to work toward the approval of these agreements.

The Peruvian president explained: "I promised to tackle this with greater determination during my second presidential term in order to put what has been discussed at a Foreign Ministry level, seeking to improve the terms of the convention, in black and white."

Last week, before leaving for Lima, President Frei said his government will not accept any modifications, that the only issue pending is ratification by the Peruvian Congress.

Tudela said the Peruvian Government "maintains all channels open with its southern neighbor (Chile), seeking to decide when is the best moment to resume talks on the subject."

The minister asserted: "I believe permanent contact is the best way to solve pending aspects of the conventions, most of which have already been implemented."

He added: "I hope everything will be resolved within the framework of the peace and understanding that prevails, and that the two countries will enter the 21st Century with good prospects for the future."

President Frei told the Peruvian media that Fujimori explained to him that he withdrew the conventions from Congress in 1994 to prevent opposition politicians from using it for electoral purposes during the April general elections.

Fujimori and most of Congress changed their mind about ratifying the agreement due to the strong pressure by radical nationalist sectors and opposition politicians.

The conventions seek to enforce the Peruvian-Chilean border treaty signed in 1929, which has not been fully implemented because the two countries interpret articles on some subjects differently.

Until 1994 Chile refused to discuss those article because Peru wanted Chile to yield a dock, a customs house, and a railroad terminal or recognize Peruvian sovereignty over them.

In 1994, Peruvian diplomacy accepted that those premises would be administered under Chilean law.

Peruvian opposition and radical nationalist groups later resumed their original stance and launched a national campaign during which they accused Fujimori's government of "betraying the fatherland."

Foreign Minister on Relevancy of Demilitarized Points

*PY3107201395 Madrid EFE in Spanish
1610 GMT 31 Jul 95*

[FBIS Translated Text] Lima, 31 Jul (EFE) — Peruvian Foreign Minister Francisco Tudela stated today that it is irrelevant to discuss territories that remain inside or outside the demilitarized zone agreed upon by Ecuador and Peru, and that the important thing is that an area of strategic territorial equivalence has been established.

Tudela made these remarks in the wake of remarks made recently by Ecuadoran Defense Minister Alfonso Alarcon, who said that the demilitarized zone does not include the Ecuadoran watch post of Banderas.

He said that the demilitarized area includes exceptional sites in which each country can have contingents of up to 50 men.

In the Peruvian case this means Watch Post One (PV1), while in the case of Ecuador it is Coangos.

Outside this "everything that is included in the document released in the communique issued by Momep [Mission of Military Observers for Ecuador and Peru] is irrelevant," he said.

The demilitarized zone on the Ecuadoran-Peruvian border, where the undeclared war was waged four months ago, was released a few days ago by Momep, which is made up of the guarantor countries of the Rio de Janeiro Protocol (Argentina, Brazil, Chile, and the United States).

"The demilitarized zone covers a rectangular area with territorial equivalence. What is outside or within it

is irrelevant, and what was sought was the strategic symmetry," Tudela said.

On this point, Peruvian President Alberto Fujimori on Sunday confirmed that the Banderas post was included in the demilitarized zone.

Fujimori said that the rumors disseminated by Ecuadoran officials have to do with a confusion, "because they had given the same name to several geographic points."

Tudela added that there is no other scheduled meeting for the deputy foreign ministers in Brasilia after the agreement signed between the two countries, but that new meetings with Ecuadoran representatives are being considered.

The Peruvian foreign minister added that the establishment of border markers between Ecuador and Peru is the next objective.

Uruguay

Chilean President Rejects Mercosur Tariff

*PY2907033895 Montevideo Radio Carve in Spanish
0000 GMT 29 Jul 95*

[FBIS Translated Excerpt] The Chilean president has told the president of our country that he does not accept the Common External Tariff of the Common Market of the South [Mercosur].

Radio Carve learned of this [words indistinct] special correspondent in Lima for the inauguration ceremonies of President Alberto Fujimori. [passage omitted]

Government Seeks To Maintain Trade Benefits With U.S.

*PY3107140595 Montevideo EL OBSERVADOR
in Spanish 22 Jul 95 p 10*

[FBIS Translated Text] The government believes the situation with the United States will differ from that with the EU: It believes the United States will not reduce its trade preferences despite reports of an overall cut.

There is concern at the business level over reports that the U.S. Government will revise its system of preferences next September. Uruguayan exporters are already feeling the harm provoked by changes in the European system, and fear a repetition by the United States.

Authorities consulted by EL OBSERVADOR are confident Uruguayan exports to the United States will not be hurt despite the foreseen changes.

Diplomatic arrangements are being made to prevent any harm or distortions to the existing trade flow.

The United States comes fifth in importance for Uruguayan products after Brazil, Argentina, the EU, and China. During the first 4 months of 1995, \$35 million of the \$669 million earned from exports came from the United States.

The official trade policy is to be more aggressive in the U.S. market within the framework of the GATT agreements and the new continental integration process.

GATT was created in 1968 by the UN Conference for Trade and Development and consists of a series of incentives and tariff reductions by industrialized countries to help increase exports by developing nations.

Diplomatic and business circles believe one such measures could be a cut in the help given abroad in view of the pressure being applied to the Clinton administration for a fiscal reorganization.

The nature of this aid is unilateral; in other words, it is a concession without commitment and the country granting it has the right to suspend the aid when it wants.

One diplomat explained that for this reason Uruguay cannot make a formal complaint because the United States can suspend aid when it wants. Consequently, negotiations require a subtle method (known in political circles as a lobby [preceding word in English] that consists of applying pressure unofficially. [no closing parenthesis as published])

One main argument is the contradiction that presupposes a cut in trade aid at a time when the United States and Mercosur [Common Market of the South] are negotiating the creation of a free trade agreement within a hemispheric agreement.

Exports increased by 21 percent between January and April 1995 (the last official data). The increase is broken down thus: A 32.7 percent increase in traditional exports, while non-traditional exports increased by 15.4 percent during that period.

Moreover, Uruguay's trade sector contains some uncertainties that could become serious if the U.S. Government finally decides to eliminate preferential tariffs.

Key Points

Arrangements. Diplomatic arrangements continue to prevent harm or distortions in current trade with the United States.

A good client. The United States comes in fifth place for the export of Uruguayan products after Brazil, Argentina, the EU, and China. In the first 4 months of 1995 the United States purchased \$36 million worth from Uruguay.

Benefits. The GATT was created in 1968 by the United Nations and consists of a series of incentives and tariff cuts that are granted by industrialized countries to help increase the exports of developing nations.

Guyana

Finance Minister Meets Press on Economic Growth

FL2907130895 Bridgetown CANA in English
1906 GMT 28 Jul 95

[FBIS Transcribed Text] Georgetown, Guyana, July 28, CANA — The Guyana economy grew by an unprecedented 7 per cent for the first half of this year compared to a growth rate of just over 6 per cent for the same period last year.

Finance Minister Bharrat Jagdeo told reporters at a news conference Friday even though final data on real growth is being put together, it is projected that the economy will grow by as much as 6.7 per cent for 1995. The government had predicted that the Guyana economy will have grown by 6.3 per cent this year.

"I have heard a number of statements that the economy is in recession...The economy is growing above last year's level, and when you look at the rate of growth...It is much higher than the 1992 growth rate of 8 per cent because the economy is growing on a much larger base," Jagdeo asserted.

Jagdeo said the average growth rate for Third World countries in Latin America is about 5 per cent. "We are way above that," he added.

The traditional sectors remained the main growth areas in the economy this year. Rice production grew by some 47 per cent, the forestry sector by 20 per cent and sugar production exceeded the mid-year target by 110,000 tonnes. "Because most of the sugar exports were made in the preferential markets (about 62 per cent, the export receipts for sugar was significantly higher, Jagdeo said adding that "positive exchange rate movements also increased significantly our export receipts". [sentence as received]

Jagdeo the youngest minister in the Guyana cabinet described as "encouraging" activity in non-traditional areas. "Engineering, construction and manufacturing expanded by 11 per cent and financial services rose by 12 per cent," he said. "If you are to examine the figures then you would see that most of the sectors in the economy...are buoyant and growing".

A major contribution to increased economic activity is the improved performance of trade. Exports earnings were US\$180 million for the first six months of this year with the main contributors being sugar, rice and gold.

The trade deficit was US\$7 million lower between January to May this year compared with the same period last year and reflecting this improved trade performance, the supply of foreign currency to the local cambio market in 1995 was almost 30 per cent higher than for the same period in 1994. "In addition, government has been transferring more foreign exchange to the cambio through higher retentions for GUYSUCO (Guyana Sugar Corporation) and gold miners exporting through the Guyana gold board," the finance minister disclosed.

According to the minister, over the past 12 months, there has been a high degree of stability in the exchange rate. "In fact, the nominal exchange rate has remained almost unchanged over the past year (depreciating only by 1.1 per cent)....," said Jagdeo adding that there is evidence that the real exchange rate is also stable. The U.S. dollar is trading in Guyana at GUY141 to 1 U.S. compared to GUY143 to 1 U.S. two months ago.

In relation to the debt situation, Jagdeo noted that the external and domestic debt burden "imposed severe constraints" on the government's budget. Guyana's debt now stands at approximately GUY33 billion and interest payments over the past six months (GUY2.9 billion) increased sharply by over GUY600 million.

Notwithstanding this, government says that inflation rates over the first half of this year compared favourably with 1994. "Consumer prices increased by 4.5 per cent over the six months to June. On a year-on-year basis, inflation is beginning to decline gradually and is projected to be within single digits by year end," Jagdeo said. He credited the improved inflation situation to sound macroeconomic management "centred on continued fiscal consolidation and prudent monetary and wages policy".

Government Sugar, Newspaper Firms Record 1994 Profits

*FL2807162495 Bridgetown CANA in English
1337 GMT 28 Jul 95*

[FBIS Transcribed Text] Georgetown, Guyana, July 28, CANA — Two Guyana government-owned companies involved in the production of sugar and newspaper publishing, recorded profits last year, a newsletter published by the ruling People's Progressive Party (PPP) said. The July issue of the Guyana Information Bulletin said the Guyana Sugar Corporation (GUYSUCO), being managed by the British company Booker Tate, posted a net profit of G\$691 million (US\$1; G\$140) in 1994, up from G\$525 million in 1993. The pre-tax profit was G\$4.1 billion. Guyana National Newspapers Ltd, which publishes the CHRONICLE, made a 1994 pre-tax profit of G\$63.7 million from sales of 273.5 million. The net profit was

not given but the PPP newsletter reported the newspaper company paid 48.8 million in taxes and dividends to the government. The CHRONICLE recorded "a dramatic increase" in circulation last year, the Guyana Information Bulletin also reported. GUYSUCO's improved results were attributed to increases in output and productivity. Given the company's improved performance, GUYSUCO workers were strongly against the idea of privatizing the company, the newsletter said.

Road-Completion Contract With Brazilian Company Terminated

*FL3107012395 Bridgetown CANA in English
1554 GMT 30 Jul 95*

[FBIS Transcribed Text] Georgetown, Guyana, July 30, CANA — Guyana has terminated a contract awarded the Brazilian firm, Parapanema, for a major highway project here, an official release has confirmed.

A brief statement from the Ministry of Public Works, Communications, and Regional Development said the government's decision resulted from "fundamental breaches" by the company of the contract. Parapanema had won the contract from eight other bidders for the U.S. \$11 million World Bank project linking Charity with Supernaan on the Essequibo coast, west of the capital.

Public Works Minister Harripersaud Nokta had earlier, in response to complaints from Essequibo residents, told company officials that government and World Bank officials were not satisfied with the quality of work done. The company was given until January 19, 1996 to conclude work on the 39-mile highway, but had issued a statement which projected the road's completion for July 1996. Government, in response, said it had received no request from the Brazilian company for an extension to complete the road. It said it still regarded January 19 as the deadline.

Under the previous regime of President Desmond Hoyte, the company had built a road through miles of savannahs and dense jungle, linking the border community of Lethem, south of the capital, to the mining town of Linden — a distance of some 350 miles.

ALCAN Shows Renewed Interest in Bauxite Mining

*FL2707224995 Bridgetown CANA in English
1921 GMT 27 Jul 95*

[By Courtney Jones]

[FBIS Transcribed Text] Georgetown, Guyana, July 27, CANA — Twenty-five years after the Aluminium Company of Canada (ALCAN) ceased operations in Guyana following nationalisation of the then lucrative

bauxite industry by the Forbes Burnham government, the company is again showing interest in Guyana bauxite.

Senior consultant in the company's raw materials division, Allister Beck, and chief geologist, Dr. Neil Bliss, came to Guyana to conduct a one-week study into the possibility of purchasing metallurgical grade bauxite from Guyana's crisis-ridden bauxite industry.

Beck told reporters, however, that any decision to purchase metal grade bauxite from Guyana ultimately rests with ALCAN headquarters in Canada and the local Bauxite Industry Development Limited (BIDCO). The ALCAN official made it clear that ALCAN is not interested in any joint venture arrangement for the bauxite industry.

BIDCO, in a statement released Thursday, said during discussions with ALCAN last year, the company had "expressed interest in the supply of a substantial quantity of bauxite of the type produced in Guyana and was prepared to consider Guyana as a possible source of supply..."

"We are satisfied about the potential for Guyana supplying metal grade bauxite, but we will have to get assurance that shipments from here will be reliable," Beck emphasised.

During their stay here, the two ALCAN officials visited Linden Mining Enterprise (LINMINE) operations at Linden, seventy miles south of the capital, Ituni, where bauxite mining ceased in 1982 after 40 years of mining, the Bermine/Kwakani operations in Berbice, the operations of the Aroaima Bauxite Company and bauxite processing facilities.

ALCAN has interests in 12 bauxite mines worldwide, and according to the officials, is continually looking for new investments, having its eye on five possibilities "to develop from scratch, modify, or expand."

The ALCAN officials noted that the cost to remove the large volume of overburden to get to the bauxite ore, and the freight costs to ship the ore out of Guyana's rivers are factors that affect the price of bauxite in Guyana.

"Guyana is able to supply the bauxite, but there are many other places that ALCAN can buy the bauxite from ...But the quality that Guyana can supply is already known in Canada," Beck said. Stressing that they were not here to discuss price, the ALCAN officials said in today's competitive bauxite industry, the cost of bauxite per tonne of alumina was critical.

"As a consequence, the price of bauxite delivered to the plant, and its quality were at the centre of any exercise involving the purchase or production (of bauxite)," Beck

noted. The bauxite officials said that during their visit, they also focused on updating their information on Guyana's bauxite deposits and on the collection of data and information in operating parameters and costs that would assist them in evaluating the feasibility of a possible project in Guyana.

The bauxite industry in Guyana, the top foreign exchange earner in the seventies, has steadily declined to the point where the Guyana Government is saying that the time is fast approaching when it will become unprofitable to continue the production of bauxite.

Recently, the government has been trying to attract joint venture participation in the industry and has been calling on the more than 80,000 people dependent on the industry at the bauxite mining town of Linden to consider other employment options.

Editorial Recommends Releasing Past, Moving Forward

*FL2807222095 Bridgetown CANA in English
1510 GMT 28 Jul 95*

[FBIS Transcribed Text] Georgetown, Guyana, July 28, CANA — Following is the text of the editorial in Friday's STABROEK NEWS newspaper:

"Raking up the past: Our recent political past was decidedly controversial. There was the question of communism and anti-communism, racial division, and rigged elections. In a recent press release, reported in this issue, Mr. Kit Nascimento claims the PPP was in the pay of the Soviet Union and would have become a Soviet puppet if it had been in power at independence. The PPP was a Marxist-Leninist party. Operating in the Cold War, a two-superpower setting, it clearly had ideological and practical links with Moscow and may well have received some financial assistance. On the other hand, the United Force almost certainly received help from the other superpower. Both sides had their links and their mentors. Is there any value in rehashing these issues now, when that era of our history has been played out, and the Cold War, which is set in the scene for it, is over?

Then there was the problem of racial division. There can be, and have been endless arguments on who started the ball rolling: Burnham in the 1955 split or the PPP's retreat on Federation, the consolidation of racial voting in 1957 and 1961, and the alleged use of racial voting slogans and so on. Of course, the problem may well have been embedded in our history, as some analysts have suggested.

And then there were the rigged elections, really a subsidiary aspect of the same problem which caused

endless ill will and led to the militarization of the society and the virtual collapse of its civil structure. Burnham changed the rules of the voting game, which could have given the PPP permanent hold on power if voting continued to be racially based.

But is there any point to going over and over these worn and tired themes? Where does it get us? Surely what we need now is a sense of shame at the backwardness of our country, economically and educationally. Surely what we should be concentrating our remaining energies on, after surviving all those dreadful and stressful years, is on taking a big leap forward into the modern world. Guyana has fallen a long way behind even our West Indian brothers like Trinidad, Barbados, and Jamaica. We have all the catching up in the world to do. We have to straighten out the educational mess, get the hospitals in shape, modernise our business, and become competitive, repair the sea defences and the roads. We have to move out of the state of deplorable,

stagnant mediocrity in which we find ourselves. This should annoy us and motivate us. Dwelling on the past, asking who was a stooge of which superpower, questioning who threw the first bomb and started the racial campaigning will only further enervate us and reinforce what may already be seen as an acute fatigue syndrome in many aspects of our national life.

At least, as Mr. Fenty has suggested in his column today, we can forgive if not forget. Our historians must at all costs, and however painful, set the record straight at some stage, and record, as far as they can, who did what, when, and for what reason. We must not distort the past, and there is already strong evidence in some quarters of a desire to rewrite history. But that is another matter. Dwelling on the past is at this stage entirely counterproductive, reactionary, and likely to condemn us to a further period of stagnation, if not worse."

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